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RESEARCH PAPER ON FACTORS THAT AFFECT THE SUCCESS OF  
CONSUMER COOPERATIVES IN CASE OF BENCH SHEKO, WEST OMO  
AND SHEKA ZONES

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## Abstract

The study was aimed to identify factors that influence on success of consumer cooperatives in case of Bench sheko, Sheka and West omo zones. Descriptive and explanatory type of research design method was applied. Explanatory identify causal factors and outcomes of the target phenomenon (Biset Amene & Yadessa, 2018). The study was focused on fifty one (51) selected active consumer cooperatives in Bench sheko, West omo and Sheka zone. A three-stage random sampling procedure was adopted for the selection of the sample respondents from the cooperatives in three Woredas. In the first stage, seven woredas were selected from each zone proportionately. In the second stage from those woredas 17 sample consumer cooperatives were selected. Finally from those consumer cooperatives 385 sample of respondents were selected. Political, Technology, Management, Bureaucracy, Marketing, Finance and Infrastructure influence were selected as independent factors. Successes of consumer cooperatives were identified as dependent variable for this study. Finding reveals most factors have effect on consumer cooperatives. Variable like politics, management, marketing and finance are important factors that affect significantly the target variables. Factor bureaucracy had no significant influence on dependent variables. The study recommends enhancing the success of consumer cooperative by improving the economic status. Special attention should give on problems like lack of marketing and finance access shortage, lagging technological advance and political interference. Therefore, Bench sheko, Sheka and West omo zones should solve these challeges.

**Key words:** Success, Political and Bureaucracy, Cooperatives, Management, Marketing, and Financing

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of study

According to the International Cooperative Alliance (ICA, 1995), a cooperative can be defined as an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Cooperation is an age-old way of attaining a goal that's beyond the resources of a personal or once operating along with offers a more practical or favorable resolution. Consumer cooperatives are enterprises closely held by customers and managed democratically that aim at fulfilling the necessities and aspirations of their members. Consumer cooperatives typically take the form of shops closely-held and operated by their consumers, like health care, insurance, housing, utilities, and private finance or including credit unions (Deres, 2017).

The first consumer cooperative within Great Britain consisted of staff and peasants in the eighteenth and nineteenth centuries. This type of cooperative later found it's thanks to different European countries like France, and the Federal Republic of Germany. The consumer cooperatives rose to prominence throughout the commercial revolution as part of the labor or trade union movement. According to Biset Amene & Yadessa (2018), the first successful consumer cooperative organization was the Rochdale Society of pioneers that were established in 1844.

In Ethiopia, various self-help co-operatives still exist. They are native or traditional level institutions with an organizational base that are indigenous, such as Debo, Mahiber, Iddir, and Iqub. Those traditional informal cooperatives would be a base for formal cooperatives (Atsbaha, 2008). The first cooperative organizations were established in the Federal Democratic Republic of Ethiopia within 1950 (Savira & Suharsono, 2013). Hence, the first consumer co-operative was established in Addis Ababa in 1945 and after decree No. 44 of 1960 modern or imported' co-operatives were formally introduced (ILO, 1975). Consumer cooperative in Ethiopia is that the one tool management to supply a varied range of goods and services to its members (Kikuchi &

Yamao, 2016). And now the Ethiopian government is attempting to push co-operatives with the target of developing them into independent self-help institutions. This was the most reason for fixing up the Cooperative Promotion Department in Prime Minister's office, Co-operative Promotion Bureaus in regions and line administrative body units (zones and woreda) and later Cooperative Agency at the federal level (Alema, 2008).

Know a day cooperatives face one or a lot of the subsequent crises: crisis of ideology, crisis of capital, crisis of believability and crisis of management(Dogarawa, 2020)and (Birchall, According to Smith(2016) tried to search out whether or not inefficient technology, inadequate management skills, lack of members participation and political interference may affect the expansion of cooperatives. Additionally, policy interventions such as the provision of the infrastructure necessary for accessing market information and subsidiary regulative framework that might permit a competitive market environment (Towera, 2011). For this the researcher was aim on to determine the significant factors of the success of cooperatives.

## **1.2 Statement of Problem**

The reason for the success and failures of cooperatives corresponds to an exceeding build-up and breaking down of cooperative identities through the method by those members and staff grows to carry the identity as their vision (Hailu, 2007).

According to Teklehaimanot (2013) cooperatives are considered as an appropriate tool of rural and urban development, they are facing critical problems which retain them from their positive role. A number of the constraints that affect the cooperatives are low institutional capacity, inadequate qualified personnel, low entrepreneurship skill, lack of monetary resources, lack of market information, poor members 'participation within in the different activities like, financing the cooperative, patronizing the business activities of the cooperatives, control and support it. These many-sided issues make very tough the overall activities of the cooperatives in overall and consumer cooperative activities in particular. According to Etefa (2019) as cited Nuradin (2015), problems deterring the success of cooperatives within the economic development were: backward perspectives, lack of committed leadership, lack of good governance, lack of capital, and practice of corruption, lack of data and skill, lack of provision

and, weak vertical and horizontal linkage at intervals and among cooperatives and inappropriate support from government and different stakeholders.

In general, the cooperatives are contributing somewhat to economic development. However, their performance isn't needless to say thanks to mentioning because of major problems identified: lack of professional managers, devoted management committees, limited capital base; weak horizontal and vertical relations, low members' participation, inadequate awareness, poor infrastructure, low stakeholders' participation, lack of adequate credit and necessary technical supports are among the problems to be tackled. As Getahun Began (2016) has noticed lack of autonomy of the cooperatives and also the interference of local administration, poor governance, and management, unable to supply basic products adequately, timely & consistently was among others. However, there are problems concerning its weaknesses, especially in the management, financial, and members' participation (Aini et al., 2012).

Although the cooperative societies don't seem to be being supported by the government and cannot be able to survive within the open market (Aumed Abdulrazack, 2014). Additionally, as Meniga( 2019) stated that several challenges lack capital, purposeful weakness, absence of good governance, lack of cooperation between cooperatives, lack of coaching, lack of managerial ability, and lack of integrity among the management that delay cooperatives from maintaining a certain level of accountability.

Moreover, Deresa, (2017), this author mentions that a number of the challenge they face were competition from private sectors and shortage of the commodity on the supplier side. Researcher was focus on determining some important factors of consumer cooperatives. Like - political influence, Bureaucracy influence, market influence, technology adoption, financial influence and infrastructure influence were practical problems that are frequently manifested.

## 2.3 Research Hypotheses

**H1:** Management skills has positive and significant effect on success of consumer cooperatives

**H2:** Political influence has negative and significant effect on success of consumer cooperatives

**H3:** Bureaucracy has negative and insignificant effect on success of consumer cooperatives

**H4:** Technology has positive and insignificant effect on success of consumer cooperatives

**H5:** Marketing has positive and significant effect on the success of consumer cooperatives

**H6:** Finance has positive and insignificant effect on the success of consumer cooperatives

**H7:** Infrastructure has positive and significant effect on the success of consumer cooperatives

In addition, to the above research hypothesis the researcher design the following research question.

Q1. What are the factors that affect the success of customer cooperatives south west Ethiopia?

Q2. What challenges are there in consumer cooperative in south west Ethiopia?

## **1.4 Objective of the study**

### **1.4.1 General objectives of Study**

The objective of the study is to assess the factors that affect the success of cooperatives in Bench Sheko, West omo and Sheka zone.

### **1.4.2 Specific Objectives of the Study**

1. To determine how management skill and bureaucracy influence affect the success of consumer cooperative in Bench Sheko, West omo and Sheka zone.
2. To examine how technology and infrastructures affect the success of consumer cooperative in Bench Sheko, West omo and Sheka zone.
3. To determine how market and finance influence affect the success of consumer cooperative in Bench Sheko, West omo and Sheka zone.
4. To examine how political influence affect the success of consumer cooperative in Bench Sheko, West omo and Sheka zone.
5. To identify challenges of consumer cooperatives success

## **1.5 Significance of the Study**

This study will provide useful information for decisions makers and researchers. For researchers study will contribute for better understanding on factors that affect the success of consumer cooperatives. This research work will provide a basis to the cooperative stakeholders can use to restructure and effect changes to ensure success. The findings will also be useful to the Zone level cooperative administration bureau and federal cooperative agency in strengthening the cooperative advocacy in marginalized areas and formation of effective policy framework for different cooperatives.

## **1.6 Scope of the study**

Research was conducted in selected South west Ethiopian zones consumer cooperative to assess factors affecting the success of consumer cooperative. There are many measurements that affect the success of consumer cooperatives either positively or negatively but the focus of this research is mainly on management skill, political, bureaucracy, technology adoption, market, financial and infrastructural factors.

## **1.7 organization of the Paper**

The Proposal on this research study has organized into four chapters. The first chapter deals with the introduction, Background of the study, Statement of the Problem, objectives of the study, Research questions and Significant of the study. The second chapter briefly describes the review of the literature and empirical results. Third chapter deals about methodologies part of research. Fourth chapter deals on data analysis and presentation of the research. The research conclusion and recommendations part was presented on chapter five

# CHAPTER TWO

## REVIEW LITERATURE

### 2.1 Theoretical Reviews

#### 2.1.1 Definition of Cooperatives

Cooperative is an enterprise or organization owned by operated for one benefit of those using its service. Cooperatives an autonomous association of person united voluntarily to meet their common economic, social and cultural, need through jointly owned and democratically controlled enterprise (Gitma, 1997).

#### 2.1.2 Principles of the cooperatives

Principles are guidelines for how to put ideals and values into practice. They rest on a distinct philosophy and view of society that helps us judge our accomplishments and make decisions. If successful, principles are incorporated into the organizational culture of the cooperative, they are the broad vision statement for cooperatives and cooperators individually and collectively. Shared and actualized principles allow cooperatives to be distinguished from other forms of organization.

As ICA puts it, "principles are not a stale list to be reviewed periodically and ritualistically; they are empowering frameworks through which cooperatives can grasp the future. A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Cooperatives are based on the values of self-help, self -responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. All over the world, cooperatives generally operate using these seven principles as guidelines by which they put their values into practice (Henehan, 1997).

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

- ❖ **Democratic member control:** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving a selected representative are accountable to the membership. In primary cooperatives, members have equal voting rights one member, one vote and cooperatives at other levels are also organized in a democratic manner.
- ❖ **Member economic participation:** members contribute equally to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- ❖ **Autonomy and independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- ❖ **Education, training and information:** Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of cooperation. (Tesfaye (1990))
- ❖ **Cooperation among cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures. Concern for community while focusing on member needs, cooperatives must work for the sustainable development of their communities through policies accepted by their members. The International Cooperative Alliance can be found online at ([www.ica.coop](http://www.ica.coop))

### 2.1.3 Cooperative Values

Traditionally, the cooperative movement has had deep ties to the wide array of the world's religions and ideologies. It has consciously and continuously explored its own belief system and attempted to identify those personal ethics and social ideas, if any; those are shared by cooperators and motivate our future actions.

Basic cooperative values are general norms that cooperators, cooperative leaders and cooperative staff should share, and which should determine their way of thinking and acting. They are our statement of what we think is the right thing to do.

It is in our statement of values that we engage the hearts, conscience and loyalty of cooperative members. The first sentence of the values statement addresses our convictions about how to achieve a better society and what form that society should take. The values include:

- **Self-help:** People have the will and the capability to improve their destiny peacefully through joint action which can be more powerful than individual effort, particularly through collective action in the market.
- **Democracy:** Members have the right to participate, to be informed, to be heard and to be involved in making decisions. Members are the source of all authority in the cooperative. "The basic unit of the cooperative is the member. This basis in human personality is one of the main features distinguishing a cooperative from firms controlled primarily in the interests of capital." ICA Background Paper;
- **Equality:** Equal rights and opportunities for people to participate democratically will improve the use of society's resources and foster mutuality, understanding and solidarity. (Ygeremeu, 1996).

### 2.1.4 Management and cooperatives

Management is the functions of an organization's planning, organizing, staffing, coordinating, and controlling in order to attain certain goals. There is a received wisdom that has prevented any real evolution of the concept of 'Co-operative' management as a focus for management development. This is that whilst Co-operative membership-based organizations may hold similar values and principles, Co-operative Management operates separately as a technically competent civil service functioning purely or mainly in terms of functionally specific organizational and commercial contexts, (Davis, 2000).

Cooperative management is the process of pursuing cooperative objectives by utilizing the resources available to the organization, including people, capital, and facilities. The success of Cooperatives management depends on successful democratic member participation, member vigilance over BODs, cardinal relationship between the members and the BOD, between the BOD and the paid management and appropriate application of cooperative values and principles, (Nakkiran, 2002).

Generally, Cooperative Leadership has diverse functions. It includes mobilizing people and resources for joint action, shapes the attitude of members, harmonizing the group members and imparting the cooperative values and principles, make decisions and developing strategies to put the decisions in to practices. The major functions of Cooperative leaders are initiating, encouraging, suggesting and implementing, (Karthikeyan, 2008).

People will follow the leaders only when they identify their needs and strive towards satisfying it. How long followers follow their leaders depends on the qualities of the leaders (Gopalakrishinan, 1980). The qualities possessed by good cooperative leaders are character, intelligence, and temperament, complete acceptance by members, dedication, courage, broader vision, clear understanding, knowledge, sympathy, common sense and clearness as to suggest by Karthikeyan (2008).

### **2.1.5 Cooperatives and Political**

Consumer co-operatives are like other cooperatives user owned, user-controlled and user-benefited organizations. They could be agricultural, nonagricultural, unions, or savings and credit co-operatives and consumer cooperative (Karanja, 2015). They operate in different sectors of the economy including agricultural, handcraft, transport, housing development, building and construction, consumer services, banking, and insurance(Smith, 2016).

The direct intervention by the administration in the management of cooperatives compromised the principles of member-maintained and run organizations. The Administration's involvement hindered the emergency of member-controlled co-operatives since members relied on Government to safeguard their interests. As a result, equality, equity, solidarity, democratic

principles, self-responsibility, and assistance that are a vital pillar of successful producer organizations were therefore delayed. This caused the cooperatives to be run as if they were Government-owned instead of the privately-owned member organization. The principle number four means that if cooperatives have to go into any form of agreement with other organizations including governments, they have to seek approval of their members to make sure that they still keep their independence and autonomy (ICA, 2013, Wanyama et al., 2014).

### **2.1.6 Cooperatives Bureaucracy**

Bureaucracy is a form of government and organization which, as Max Weber suggests, should be in an ideal organization structure. Bureaucracy is an effective form of management in the organization's acquiring rationality, eliminating turmoil, and avoiding ambiguity (Aydın, 2010). In general, bureaucracy is the process of organizing scattered transactions and actions according to rational and objective rules (Başaran, 2000). While bureaucracy shows its existence in many organizations, Bursalıoğlu (2012)) characterizes school as a bureaucratic institution considering bureaucracy as one of its unique features.

Bureaucracy is a sociological phenomenon developed to achieve desired results, and a project that organizes human activities throughout the history of civilizations. Schools, where we spend most of our life, are also one of the forms of bureaucracy (Yücel, 1999). Those who oppose the bureaucratic nature of school do so because bureaucracy constitutes an obstacle before their using it for their own benefit (Bursalıoğlu, 2012).

Bureaucracy functions to protect its own structure. However, it may reveal some problems. The biggest problem for managers is considered to be the supply of sources and managers' obligation to account for to their superiors. In the context of communication, it is the realization of inter-individual relations within the limits of hierarchy, status and authority. It is understood that bureaucracy may have negative effects in relation with change in that the decisions taken in line with the rules, regulations and generalities blunt the creativity, hierarchy constitutes

## 2.1.7 Cooperative and Technology

Adding technology to a lesson inherently increases the lesson's complexity. When students participate in technology-assisted instruction, they have the dual tasks of (a) learning how to use the technology (i.e., the hardware and software required by the lesson) and (b) mastering the information, skills, procedures, and processes being presented within the technology. When cooperative learning groups are used, students have the additional task of learning teamwork procedures and skills.

Technology-assisted cooperative learning tends to be a cost-effective way of teaching students how to use technology, increasing academic achievement, giving learners control over their learning, creating positive attitudes toward technology-based instruction and cooperative learning, promoting cognitive development, and increasing social skills. Computers themselves promote cooperative interaction among learners. The composition of the group and the gender of the learners are factors that have been hypothesized to affect the success of technology-assisted cooperative learning. Through technology, individuals in different settings can be network-ed into electronic cooperative learning groups.

## 2.1.8 Cooperatives and Marketing

Marketing is about building lasting relationships that satisfy the needs of the supplier and the buyer. The key elements of marketing are “customer value”, “competitive advantage” and “focus”. This means that organizations involved in marketing have to study the market, develop products or services that satisfy customer needs and wants, develop the “correct” marketing mix (product, place, promotion, price and people) and satisfy its own objectives as well as giving customer satisfaction on a continuing basis. Although farmers want to receive the best price for their products, customers want to buy products at the lowest possible price. But they also want good quality products and may be willing to pay more for higher quality products. Customers also want the products to be available when they need them. A cooperative’s strategy must take these needs, also referred to as QQF (Quantity, Quality and Frequency), into consideration:

- Quantity refers to the volume of the agricultural produce taken to the marketplace for the intended target market. The right quantity is necessary for both the seller and the buyer.
- Quality is the perceived benefit/value of the produce. From the perspective of the buyer, quality is linked to meeting changing tastes and preferences of consumers. From the cooperative's perspective, it is the cost of producing the agricultural produce plus the desired surplus.
- Frequency refers to the number of times/the period when the cooperative's produce is expected to reach the intended customers and consumers. Frequency affects transport costs and storage needs.

### **2.1.9 Cooperatives and Finance**

The services to provide the credit and capital needed for further production or enhance marketing activities and the cost of getting merchandise to the consumers is referred to as finance function in marketing. The money or capital can be sourced from owned capital by the owners, bank loan and advances from commercial banks and trade credits provided by channel members to each other. In almost any production system there are inevitable lags between investment in production of goods and services in terms of buying necessary raw materials (e.g) machinery, seeds, fertilizers, packaging, flavorings, stocks etc.) and receiving the payment for the sale of produce. During these lag periods some individual or institution must finance the investment. The question of where the funding of the investment is to come from, at all points between production and consumption, is one that marketing must address.

Cooperatives also encounter technical skills constraints and capital shortages, which hinders the attainment of objectives. Lack of skills in cooperative development is also attributed the allocation of cooperative professionals to other sectors and replacing them with people who have no cooperative background, which affects the performance of cooperatives. Human resources development is crucial for sustainable development of cooperative organizations (Emana 2009).

## **2.1.8 Cooperative in Ethiopia**

The people of Ethiopia have gotten a long social history of working together to satisfy their socio-economic needs. Agriculture, Trade, and Military Operations were administered through cooperative efforts. Many social events are still happening in rural Ethiopia through collective effort. The Federal Government of Ethiopia has identified the Cooperative form of business organization as an instrument of socio-economic change particularly to achieve food security which leads to sustainable development. As a result, as of 30th June 1998 Ethiopian Calendar, the country has recorded 6004 Primary Agriculture and Allied Cooperatives to serve the suppressed and depressed community of Ethiopia (Dr.K.Kanagaraj & Department, 1995).

The thought of human cooperation is not new; it existed even before the formation of contemporary cooperation (Etefa & Studies, 2019). The spirit of self-help and cooperation has long been an area of the farming community in Ethiopia. There are mutual organizations in urban areas, too. When communities face issues, they devise ways that of addressing these problems supported their values, culture and beliefs. In Ethiopia, varied self-help cooperatives still exist. They are local or native level establishments with associated structure bases that are indigenous, for instance, Debo, Mahiber, Iddir, and Iqub(Atsbaha,2008). Those traditional or ancient informal cooperatives would be a base for formal cooperatives.

The first cooperative organizations were established in Ethiopia within the 1950s (Kodama, 2007). According to Kodama, (2007) as cited in Dorsey & Tesfaye, (2005 and Desalegn, (1990) the cooperatives were active throughout the Derg Regime from 1974 to 1991. The activities of cooperatives throughout the Derg regime were fully completely different from those of Western-type cooperatives as a result of they were supported Marxist principles (Kodama, 2007).

## **2.2 Empirical Review**

### **2.2.1 Management Skill Influence**

Cooperative management is an essential ingredient to the success or failure of cooperatives. According to Chloupková (2002), for cooperatives to be a success they should be organized on interests that are really homogenous. Literature disclosed that management of cooperatives is instrumental in making them succeed or fail. Indicators, such as strong finance,

good revenues, capacity in marketing, business planning and management lead to the well-being of cooperative (Garnevska et al., 2011).

The success of consumer cooperative business lies in their democratic system of management. Like other business organizations, consumer cooperatives want skillful managers. The majority of the members of consumer cooperatives are lack knowledge and managerial skills. To manage and administer cooperatives effectively, there's a dire requirement of qualified, trained, and competent people (Dr.G.Veerakumaran, 2007). Therefore, the government ought to constitute the screening committee for giving preference to cooperative ability, knowledge, and background persons rather than non-cooperative personnel during the selection time (Dr.K.Kanagaraj & Department, 1995. Very little effort is done to inspire members apart from ensuring that they get what they have applied for and controlling involves monitoring and evaluating activities, and providing corrective mechanisms (Nkuru, 2015). Most of the consumer cooperative is compromised by management and doesn't serve effectively. Cooperative societies want well-trained leaders and managers who understand their role effectively so on facilitate and enhance the already achieved role.

Dominant members who have little or no knowledge in the management end up taking leadership positions hence running down the very objective of success of the community and bedeviling consumer cooperatives arise from corrupt governance and poor economic management. Leaders' and officials 'abilities ought to be built upon and developed, to improve their efficiency and effectiveness that interprets to increased performance of the society. This enhancement of their managerial skills can be achieved through training (CHEPKEMOI, 2017). It additionally, involves investing in people to allow them to perform well and empower them to form use of their natural skills. The target is to develop the competencies of workers and improve their performance. In addition, it helps employees to succeed with the organization so that future wants for human resources are met from within.

**H1:** Management skills has positive and significant effect on success of consumer cooperatives

### **2.2.2 Political Influence**

According to (Smith, 2016) as cited in Epetimehin (2006) viewed a cooperative enterprise is a business owned and controlled by the people who use its services. They finance

and operate the business or service for his or her mutual profit. By operating along, they can reach an objective that would be unattainable if acting alone (Babalola, 2014). According to (Personal & Archive, 2018), stated that there should be diversification of the cooperative business to increase its reserve, Management ought to be lot serious in handling the affairs of the society. Involvement of government is a crucial determinant that leads to success or failure of cooperatives (Hammond & Luiz, 2016).

In western world, cooperatives are independent of government and they govern themselves according the needs of their members (Johnson 15 &Shaw, 2014). Across less developed countries , it is the other way round, because cooperatives were mainly developed by States which do not prioritize cooperative members needs but rather put states interests first(Hammond & Luiz, 2016). This way of doing things by states in the third world has caused failure of cooperatives in these countries (Johnson & Shaw, 2014).

Governments' part should be to ensure that political, legal and administrative platforms are in place to help cooperatives develop (Hammond & Luiz, 2016). Government entities should also help cooperatives to be awarded tenders and other business opportunities (Vladimirov, Simeonova-Ganeva, & Ganev, 2013). Therefore, the cooperation with different partners can be crucial just in case there is no interference in cooperative businesses (Hammond & Luiz, 2016)

H2.Political influence has negative and significant effect on success of consumer cooperatives

### **2.2.3 Bureaucracy Influence**

Cooperative initiator and leadership are of paramount importance as to causing the cooperative to succeed or fail. To this end, a visionary, innovative, communicative, hardworking, business and open-minded cooperative initiator or leader plays a very important part to make the cooperative succeed (Garnevska, Liu, & Shadbolt 2011).

According to the literature, it can be stated that bureaucracy may be obstructive as well as effective and it is not true to maintain it at a very strict or very slight level. While Craig (1995) thinks that in Japan bureaucracy supports innovation and provides faster production. Yilmaz (1999) pointed out that Hall and Weber's bureaucracy approaches have the same bureaucratic

features in Turkey as in the western countries; and that Hall and Weber's theories of bureaucracy are useful and effective tools for examining the school organization structure in Turkey. In an empirical (experimental and observational) study by Hoy and Sweet land (2000), it was found out that it is possible to have a hierarchy and a formal structure that would not hinder education and teaching in schools. As one of the features of the decisive environment for how bureaucratic work should be, is the expertise of teachers and administrators.

Bayhan (2011) found out that effective school structure provides co-operation among teachers, and teachers help and support each other in solving the problems they face during professional practice. Hoy and Sweet land (2001) explained that although there is a widespread view that bureaucracy constitutes negativities regarding employees of the organization, it offers positive sides, and different kinds of structures can be formed based on the level of formalization and centralization.

**H4:** Bureaucracy has negative and significant effect on success of consumer cooperatives

## 2.2.4 Technology Influence

Modern business organizations have embraced the use of Information Technology (IT) to increase their competitiveness, efficiency, customer service, and performance. Technology and cooperative societies 'success of technology strategy was found by several researchers so way to increase competitiveness. According to (Muhammad et al., 2014), expressed that failure to develop and integrate technology strategy and business strategy may be a major contributing issue to the decline of a firm's competitiveness.

As Simotwo, (2017), explained technology is formed from discoveries in sciences, development, and improvement in machinery, process, and automation, and information technology. It moreover includes an arrangement of knowledge, information, and ideas (Van der Merwe, 2010). Simotwo (2017) similarly observes that the speed of technology adoption and its overall application in co-operatives within the region is mostly low and which the most reasons for this include conservatism, prices, and ignorance. The results and the situations also vary. Smith, (2016) observed two situations wherever – some extremely automated financial cooperatives and also the utterly non-automated agricultural primary co-operatives. Consumer

cooperatives are contending with consumers who are very knowledgeable, smarter, a lot of price-conscious, more demanding and less forgiving (Auka & Mwangi, 2013)

The investigator during this case can investigate the effect of IT on providing service and enhance profitability and establish why some cooperatives have adopted IT if at all it a positive effect on the success of consumer cooperative. The consumer cooperative on information technology (IT) in the service sector has been criticized by economists for not showing a corresponding improvement in productivity similar to that observed in manufacturing. However, following the publication of the Hammer and Champy (1993) book on reengineering and also in the depth plan of service processes that followed, using information technology because the enabler, we tend to feel it's time to get back to the discussion on the contribution of IT within the service sector.

According to (Smith, 2016) as cited in Thompson et al (2010), correct and timely information almost daily operations is crucial if managers are to measure how well the strategy execution method is proceeding; and which information systems got to cover five broad areas of customer data, operation data, employee data, supplier/partner/collaborative ally data, and also money performance data. ICT, broadly, permits for a discount in transaction prices, improved access to timely and usable information, improved communications with markets and inside the provision chain, acquisition of proper skills for the improvement of productivity, and improved information concerning new opportunities (Gunga, 2019). Additionally to the communication structure, agro-industrial cooperatives will use many different tools to hurry up the method of adopting new technologies by their producers, like the articulation of public policies, advice for obtaining financing, offering differentiated credit lines, the establishment of targeted evaluation policies, organization of technical events, production of teaching materials, specialized technical assistance (Atsbaha, 2008)

**H5:** Technology has positive and significant effect on success of consumer cooperatives

### **2.2.5 Finance Influence**

Adequate capital is one of the fundamental requisites for the sound business operation of cooperatives business. From the standpoint of ownership, there are two kinds of capital equity

and debt capital. The members or owners of the business provide equity capital. In the balance sheet, it is called net worth, it is the equity that the owners have in the business, the birr left when the total liabilities subtracted from the total assets. Ideally, the members of cooperatives should provide the capital to finance its operations. Since the cooperative exists to deliver benefits to its members, each member should contribute to capital in direct proportion to usage of services the cooperative provides (Birhanu, 2011). Cooperatives also encounter technical skills constraints and capital shortages, which hinders the attainment of objectives.

Lack of skills in cooperative development is also attributed the allocation of cooperative professionals to other sectors and replacing them with people who have no cooperative background, which affects the performance of cooperatives. Human resources development is crucial for sustainable development of cooperative organizations (Emana 2009). Know a day cooperatives faces crisis of capital, crisis of believability and crisis of management (Dogarawa, 2020) and (Birchall,. In addition, business in developing countries have difficulties in accessing bank loan as a consequence to the high risk for failing loan, low profitability and lack of collateral required by banks (Amdemicale, 2018).

### **2.2.6 Marketing Influence**

As far as is possible marketing decisions should be based on correct, timely sound market information. The right facts and information reduces market risks mentioned earlier. Modern marketing practices require a lot of information adequately, accurately and speedily in order to make informed decisions about the market situation. The process of collecting, interpreting, and disseminating information relevant to marketing decisions is xxv known as market intelligence. The role of market intelligence is to reduce the level of risk in decision making. A common weakness in the business owner/ managers or cooperatives members lies in their failure to understand key marketing issues Stokes and Wilson (2006).

Through market the seller finds out what the customer needs and wants. The alternative is to find out through sales, or the lack of them. Marketing research helps establish what products are right for the market, which channels of distribution are most appropriate, how best to promote products and what prices are acceptable to the market. As with other marketing functions, intelligence gathering can be carried out by the seller or another party such as a

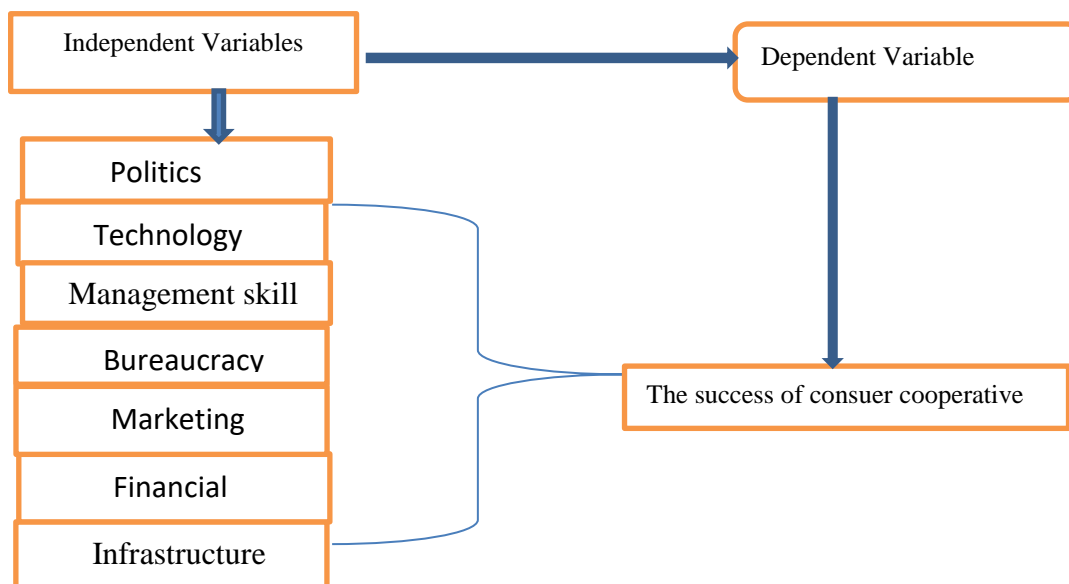
government agency, the ministry of agriculture and food, or some other specialist organization. What is important is that it is carried out.

### 2.2.7 Infrastructure Influence

Adequate infrastructure facilities like road, transportation, water, electric, telephone, etc., more cooperatives would be motivated to perform their works and so this positively contribute to enhancing their success. Infrastructure is one of the major factors for cooperatives success like, power; transport and communication are its key elements. It matters a lot for competitiveness of cooperatives. Acquiring information, input procurement and getting market require more resources of the cooperatives in countries of poor infrastructures (WB, 2004). There is a lack of access to infrastructure facilities like road, water, electric, telephone, etc. this influence cooperatives would be to success and significant effect and positive contribution to promoting cooperatives success .

### 2.3. Research framework

The conceptual framework for the study on factors influencing performance of Cooperatives The factors considered in the study includes management skill, political, bureaucracy, technology, marketing, financial and infrastructure those were the independent variables. Success of consumer cooperatives is the dependent variable.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Descriptive and explanatory type of research method was designed. Descriptive research seeks, to identify what, how and where of phenomenon, Cooper and Schndler (2006). Explanatory identifies causal factors and outcome of target phenomena Biset Amene and Ydessa (2018). Mixed approach was employed in collection of relevant information's analysis and interpretation of the some data described by Mugada (2008)

##### **3.1.1 Target population**

The study was focused on selected active consumer cooperatives in Bench sheko, West omo and Sheka zone. These are cooperatives with known address or contact and membership, as provided by the DCO in south west Ethiopia. The numbers of active consumer cooperative within the target area were selected as a target population and considered as sampling frame because they serve as key informants who have been a tremendous help in providing very vital information within the studies. Hence, the total population of the study was 10567 active members' of primary consumer cooperatives with board committee management and staff in Bench sheko, West omo and sheka zone for this study purpose.

##### **3.1.2 Sampling Technique**

A three-stage random sampling procedure was adopted for the selection of the sample respondents from the cooperatives in three Woredas. In the first stage, seven woredas are selected from each zone proportionately (Masha and Yeki from Sheka zone, Debub bench, semen bench, gurafarda and sheko woreda from Bench sheko zone and Maji and surma from West omo zone) were purposely selected, due to high number of cooperatives they have, out of fourteen (14) woredas that have cooperative associations engaged in consumer cooperatives in three zones.

In the second stage, considering the total number of fifty one (51) consumer cooperatives in these woredas (twenty nine in Bench sheko fifteen in sheka and 7 in west omo) a total of

seventeen (17) consumer cooperatives (nine in bench sheko, five in Sheka and three in West omo) were randomly selected by lottery method.

In the third stage, since each cooperative members have a unique code within their cooperative association, and by feeding the code into the computer a total of three hundred eighty five (385) respondents involving cooperative members, cooperative committees and recruited staffs (two hundred two (202) respondents from Bench sheko, one hundred fourteen (114) respondents from Sheka and sixty nine (69) respondents from ( West omo) were selected randomly using probability proportional to sample size (PPS).

### 3.1.3 Sampling Size

Sampling is related to the selection of a subset of persons from within a large population to estimate the characteristics of the entire population (Singh & Masuku, 2014). Although there are no general rules, the sample size usually depends on the population to be sampled. The researchers accept a maximum sampling error of 5% with a 95% level of confidence. To determine the sample size of the consumer cooperatives purposely selected the total numbers of the consumer cooperative within the study area and randomly selected. Quantitative data were gathered from cooperative members, cooperative committees and recruited staffs. Qualitative data were gathered from sample cooperatives members, board members, recruited staffs, cooperative agency experts and cooperative union experts. Since it delivers the sample size for the study, the sample size determined by using Yemane (1967) formula, which represents the target population. The way that the sample size is determined by the given formula shown as follows

$$n = \frac{N}{1+N(e^2)} \quad n = \frac{10567}{1+10567(0.05^2)} = 385$$

Where n signifies the sample size N signifies the population under study e signifies the margin error (it could be 0.05). Hence, the simple size became three hundred eighty nine (389).

## **3.2 Data Source**

### **3.2.1 Primary Data**

The primary data would be collected through open-ended and close-ended questionnaires and Semi-structured interview methods. The detail of each data collection instrument was described as follows.

#### **i. Questionnaire**

The questionnaires have been two parts. The first part would be used to collect demographic data about the sample respondents, while the other parts would be used to collect data about factors that affect the success of consumer cooperative.

This study investigates independent variable that affects the success of consumers 'cooperative in the South west Ethiopia. Consumer cooperative office would be measured items using by a five-point Likert format having a range of attitudes, for instance strongly agree represented by 1, agree by 2, neutral by 3, disagree by 4 and strongly disagree by 5. These scales were used to test what extent factors affecting the success of consumer cooperative in the South west Ethiopia consumer cooperative office.

#### **ii. Semi-structured interview**

Interviews: I chose to conduct face-to-face interviews with board members, cooperative office managers, and office employees of the consumer cooperatives, to gain a better understanding of the factor affecting the success of consumer cooperatives. The use of semi structured and one-on-one interviews helped me to understand the factors affecting the success of consumer cooperative. The semi-structured interview guide provides a clear set of instructions for interviewers and can provide reliable, comparable qualitative data (Megel & Heermann, 1994).

#### **iii. Focus Group discussion /FGD/**

In focus group discussion participants are free to talk with other group members; unlike other research methods it encourages discussions with other participants. It generally involves

group interviewing in which a small group of usually 8 to 12 people. In order to identify consumer cooperatives challenges the researcher used focus group discussion.

### **3.2.2. From Secondary Source**

The secondary data would be obtained from sources that include different kinds of literature that are published articles and journals, books, different websites, the internet, the sub-city, and the consumer cooperative office annual report and organizational record documents.

### **3.3 Methods of Data Analysis**

To meet the specific research objectives, both qualitative and quantitative data analysis was examined for the study purpose. Descriptive statistics like frequency distributions, tables, and inferential statistics like multiple linear regressions have been used to elicit meaningful information. The data entry and analysis have been performed by using Statistical Package for Social Science (SPSS) version 26. Regression analysis like multiple regression and logistic regression were also run to explore the data.

The quantitative data are presented in the form of figures like pie charts and in the form of tables containing frequency, mean, standard deviations and p-values. Group comparison was made using chi Square test. Correlation and regression analysis were done to determine if there was relationship between dependent and independent variables and to test the significance. Data from key informant interview were transcribed and coded into specific themes, then interpreted in order to get information on how the identified factors affect the cooperatives growth under study.

### **3.4 Study Variable**

In this study two main variables were explored: the dependent (regressed) and independent (exploratory) variables. The regressed variable is success of cooperatives engaged in consumer cooperatives (continuous variable); and that of repressors /independent variables are factors affecting the success , which are thought to have significant role in determining the success of cooperatives engaged in consumer cooperatives Bench sheko, Sheka and West omo zones.

It was expected that a number of independent variables affect the success of consumer cooperatives engaged in three zones. However, few variables which were believed to play dominant role were included in the study. Some of the assumed independent variables which could affect the success of consumer cooperatives in the study area were the following. These were assumed to be both contextual factors and internal factors. The contextual factors are: technological, marketing and politico-legal factors; and the internal factors are: members' participation, management, cherry collection, accounting trend and financial factors. For all these factors questionnaires were developed and key informant interview schedule was prepared and data were collected, analyzed and interpreted.

### 3.5 Model Specification

Inferential statistics like multiple regressions and Pearson correlation was used. Multiple regressions would be used to determine the nature of the relationship between independent variables and the dependent variable (Azmah et al., 2012). Multiple regression analysis is described as a statistical technique that is used to analyze the relationship between one dependent variable and several independent variables (Uyanık & Güler, 2013). The objective is to predict the dependent variable from known independent variables. The coefficient of multiple correlations is symbolized by the correlation R which indicates the strength of the correlation between the combination of the predictor variables and criteria variables Abdi, (2015).

The required assumptions of this multiple regression model are; the error variable ( $\epsilon$ ) is normally distributed, the mean value of the error variable is zero, the variance of the error variable is a fixed but unknown value, the values of the error variable are independent of one another, a relationship between the factor affecting the success of consumer cooperative was linear.

Regression analysis done by the utilization of an econometric model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \dots + \epsilon$$

Where: Y= is the dependent variable indicating the success of consumer cooperative.

$\alpha$ = may be a constant term the worth of Y when all Xs are zero

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  and  $\beta_7$  = are the regression co-efficient or change introduced in Y by each X

$\varepsilon$  = is that the random error term accounting for all other factors not captured within the model.

X1 = influence Political

X2 = Influence of Technology

X3 = Influence of Management skill

X3= Influence of Bureaucratic

X4=Influence of Marketing

X5 = Influence of Finance

X5= Influence of Infrastructure

The magnitude of the regression coefficient used for researcher to know the direction and magnitude of the relationship between the independent variables and the dependent variable. The coefficient of determination  $R^2$  used to evaluated to determine the explanatory power of the model and how well data fit into the statistical model. The F statistic used to determine the overall significance of the models.

## CHAPTER FOUR

### RESEARCH ANALYSIS AND INTERPRETATIONS

#### Introduction

In this chapter, the gathered data has been analyzed and interpreted. The chapter consists of an introduction, respondents' demographic characteristics, descriptive statistics which are measured in terms of political influences (PI), influence of technology adoption (TI), influence of management skills (MSI), influence of bureaucratic (BI), influence of market (MI), influence of finance (FI) and Influence of infrastructure (II) the success of consumer cooperative (SCC). Items of the questionnaire on these variables were measured in Likert scale using five points ranging from 1=Strongly Agree to 5=Strongly Disagree. In addition, some demographic descriptions of the respondents are collected.

#### 4.1 Socio-Demographic Profiles of Respondents

The results of descriptive statistics of study participants were shown in the table 4.1 below. The majority (82.5%) of the respondents were males and larger proportions (65%) in between 35-45 years. Regarding educational status, out of the 371 respondents 54.5% had diploma, 38.4% certificate the rest is degree, masters holders. The information gathered regarding responsibilities of the respondents indicated that the majority of the respondents (79%) were the cooperative members the rest is committees and staff.

**Table 4.1 Gender of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	318	82.6	82.6	82.6
Female	67	17.4	17.4	100.0
Total	385	100.0	100.0	

Source: SPSS output

**Table 4.2 Age of respondents**

Participant	Frequency	Percent	Valid Percent	Cumulative%
20-35	151	39.2	39.2	39.2
36-45	167	43.4	43.4	82.6
46-60	67	17.4	17.4	100.0
Total	385	100.0	100.0	

Source: SPSS output

**Table 4.3 Educational level of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Certificate	148	38.4	38.4	38.4
Diploma	210	54.5	54.5	93.0
Degree	27	7.0	7.0	100.0
Total	385	100.0	100.0	

Source: SPSS output

**Table 4.4 Types of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Members of cooperative	304	79.0	79.0	79.0
Management committee	40	10.4	10.4	89.4

Employees	41	10.6	10.6	100.0
Total	385	100.0	100.0	

## 4.2 Descriptive Analysis

Items with mean score  $\geq 4.10$  strongly affects the cooperative growth, Items with mean score 3.50 up to 4.09 moderately affects the cooperative growth, Items with mean scores 3.00 up to 3.49 somewhat affects the cooperative growth, Items with mean score  $\leq 2.99$  does not affects the cooperative growth, according to these data.

### 4.2.1 Political Influence

**Table 4.5 Political Influence**

Political influence	N	Minimum	Maximum	Mean	Std. Deviation
Members who are political participation	385	1	5	2.15	1.371
Interference of politician power	385	1	4	1.51	.927
General meetings normally chaotic do to internal politics	385	1	5	4.22	1.009
Management committee hardly independent	385	1	4	1.83	.946
Election of coop officials is rarely transparent	385	1	4	1.65	.933

Source SPSS output

The highest mean value was gained for the item whether the General meetings normally chaotic internal politics has affected the success of consumer cooperative at mean = 4.22, while followed by the consumer cooperative has members who are politicians (mean = 2.55 and with the lowest mean value item which asks whether in consumer cooperative the management committee is hardly independent in their decisions (mean = 1.83). This implies that the studied consumer cooperative has members who are politicians, as well as the interference of political persons, which has affected the success of the consumer.

## 4.2.2 Technology adoption

**Table 4.6. Technological influence**

Technology influence	N	Minimum	Maximum	Mean	Std. Deviation
Technology create better communication With other business partners	385	1	4	1.54	.829
Appling computerization accounting system	385	2	5	4.40	.939
Providing timely information use of technology	385	1	4	1.74	.914
Management supports the adoption of new technology	385	1	5	4.13	1.244
Improves the quality of works	385	1	5	4.16	1.339

Source SPSS output

The highest mean value was gained for the three items in technology influence are lied on mean value in between (mean = (4.4 - 4.13) SD (0.939 – 1.339) while other items of technology influences are followed with mean value in between (1.54-1.74) SD (0.829-0.914) have the lowest mean value. This implies in average technology adoption is strongly affect the success of consumer cooperatives which has affected the success of the consumer.

## 4.2.3 Management skill

Table 4.7 Management Influence

	N	Minimum	Maximum	Mean	Std. Deviation
Management training to the cooperative officials	385	3	5	4.49	.685
Management committee and staff have managerial skill	385	4	5	4.38	0.487

Staff training helps to improve the success	385	1	5	3.75	1.180
Offer management skill trainings to the members	385	4	5	4.51	.501
Training providers are who office relevant management skill	385	1	5	3.66	1.586

The highest mean value was gained for the three items in management skill influence are lied on mean value in between (mean = (4.38 - 4.51) SD (0.487 – 0.685) while other items of management skill influence are followed with mean value in between (0.366 – 0.375) SD (0.829-0.914) have the lowest mean value. This implies in average management skill influence is strongly affect the success of consumer cooperatives which has affected the success of the consumer cooperatives.

#### 4.8. Bureaucracy

**Table 4.2.4 Bureaucracy Influence**

	N	Minimum	Maximum	Mean	Std. Deviation
Customer spend days weeks to get service	385	2	5	2.30	1.221
Costumers receives service with standardized quality of service	385	2	5	1.057	.1.845
Written rules, policies and procedures are indicated	385	1	5	1.344	1.331
Major decisions made by employees in management approval	385	4	5	1.177	1.380

Source SPSS output

The lowest mean value was gained for most items in bureaucracy influence with mean value in between (mean = (1.057 – 2.30) SD (01.221- 1.845). This implies factors bureaucracy is not effect on the success of consumer cooperatives.

## 4.2.5 Marketing Influence

**Table 4.9. Marketing Influence**

Marketing influence	N	Minimum	Maximum	Mean	Std. Deviation
Absence of common brands	385	1	3	3.61	.651
Lack of marketing skill	385	1	4	3.83	.477
Middle man make excessive profit	385	1	5	2.94	.903
Lack of market chain	385	1	4	2.75	.952
Lack of storage	385	1	4	3.56	.901
Price fluctuation in the market	385	1	5	3.50	.885

Marketing factors moderately affected the consumer cooperatives at mean value in between (mean = (3.50 – 3.83), SD (0.477 – 0.952) while other items of marketing influence are followed with mean value in between (2.75 – 2.94) SD (0.92-0.903) have the lowest mean value.

## 4.2.6 Financial Influence

**Table 4.10 Financial Influence**

Financial influence	N	Minimum	Maximum	Mean	Std. Deviation
Ability of short and long term loan payment	385	1	5	3.68	1.436
Accessibility of loan from financial institutions	385	1	5	4.21	1.177
Government financial support for cooperatives	385	4	5	4.18	.384
lower interest rate for loan requirement	385	2	5	4.50	.830
Access of financial institutions around local	385	1	5	3.78	1.021

Financial factors strongly affected the consumer cooperatives at mean value in between (mean = (3.50 – 4.50), SD (0.384 – 1.436) while one item are moderately affected the consume cooperatives with mean value in between (3.68), SD (1.436) have the lowest mean value.

## 4.2.7 Infrastructure Influence

**Table 4.11 Infrastructure Influence**

Infrastructure Influence	N	Minimum	Maximum	Mean	Std. Deviation
Accessibility of road	385	4	5	2.43	1.06
Accessibility of transportation service	385	1	5	2.39	1.017
Accessibility utilities	385	3	4	1.21	1.410
Accessibility of operational area	385	2	5	3.86	.991

Source: SPSS Output

As the result shown from table 4.10 above, the lowest mean value was gained for most items in infrastructure influence with mean value in between (mean = (1.21 – 2.39) SD (0.991- 1.017). This implies factors infrastructure is not significantly affected on the success of consumer cooperatives.

## 4.6 Correlation Coefficient

Pearson correlation coefficient or Pearson’s correlation coefficient or Pearson’s r is defined in statistics as the measurement of the strength of the relationship between two variables and their association with each other. Strength signifies the relationship correlation between two variables. It means how consistently one variable will change due to the change in the other. Values that are close to +1 or -1 indicate a strong relationship. These values are attained if the data points fall on or are very close to the line.

As displayed from the correlations analysis table infrastructure and, technology, political and Bureaucracy management skill and bureaucracy, management skill and marketing factors are positively correlated. Corporate governance mechanism and age are positively correlated ( $r=0.534, 0.278, 0.278, 0.67$ ) respectively.

Marketing and management skill factors and financial and marketing factors were negatively correlated ( $r=-0.048,-0.260$ ) respectively. The outcomes present that there is no significant correlation among independent variables. Since all correlation coefficient of variables are not greater than 75 percent Brook, (2008). This indicates that there is no significant correlation among the independent variables.

**Table 4.12 Correlation**

Model		TI	PI	BI	MS	MI	FI	
	II							
1	II	1.000	.534	-.277	-.005	.664	-.394	-.571
	TI	.534	1.000	.278	.378	.297	-.816	-.035
	PI	-.277	.278	1.000	.278	-.516	-.569	.838
	BI	-.005	.378	.278	1.000	.367	-.351	.097
	MS	.664	.297	-.516	.367	1.000	-.048	-.630
	MI	-.394	-.816	-.569	-.351	-.048	1.000	-.260
	FI	-.571	-.035	.838	.097	-.630	-.260	1.000

Source: SPSS out put

## 4.7 Multiple Linear Regression Coefficient

This section of the study presents the results and discussions of the regression output. In order to examine the effect of factors on success consumer cooperatives of linear regression model was estimated. The regression analysis enables the researcher to empirically test the proposed hypothesis and to achieve the research objective. The method of least squares has some very attractive statistical properties that have made it one of the most powerful and popular methods of regression analysis (Gujarati, 2003).

**Table 4.13 Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	-9.874	2.021		-4.886	.000	-13.847	-5.900
PI	-.467	.048	-.257	9.699	.000	.372	.562
TI	.865	.058	.267	14.959	.000	.752	.979
MS	.474	.066	.154	7.208	.000	.345	.603
BI	.658	.061	-.171	-10.728	.124	-.778	-.537
MI	3.156	.091	-.737	-34.560	.000	-3.336	-2.977
FI	.204	.057	-.085	-3.606	.000	-.316	-.093
II	5.386	.078	1.512	68.997	.061	5.233	5.540

Dependent Variable: SCC

Source: SPSS out put

The regression result shows that a negative coefficient association between political influence and success of consumer cooperatives. Political issue had effect on success of consumer cooperatives at significant at p value = 0.01 levels. Thus, the hypothesis that states political issue has negative effect on success of consumer cooperatives accepted. The result is consistence with idea cooperatives have to go into any form of agreement with other organizations including governments; they have to seek approval of their members to make sure that they still keep their independence and autonomy (ECC, 2013, Wanyama et al., 2014).

The regression result shows that there is a positive relationship between technology adaption and success of consumer cooperatives. Technology issue had effect on success of consumer cooperatives at significant at p value = 0.01 levels. Thus, the hypothesis that states technology issue has positive and insignificant effect on success of consumer cooperatives

accepted. This study was supported by Simotwo (2017) he observed the speed of technology adoption and its overall application in co-operatives within the region is mostly low and which the most reasons for this include conservatism, prices, and ignorance.

The regression result shown there is a positive relationship between management skill influence and success of consumer cooperatives. Management skill had effect on success of consumer cooperatives at significant level  $p$  value = 0.01 levels. Thus, the hypothesis states management skill has positive and significant effect on success of consumer cooperatives accepted. The result is consistence with (Dogarawa, 2020) and (Birchall study indicates that, know a day cooperatives faces crisis of capital, crisis of believability and crisis of management. The result is consistence with (Dogarawa, 2020) and (Birchall study indicates that, know a day cooperatives faces crisis of capital, crisis of believability and crisis of management.

The regression result shown there is a negative and insignificant relationship between bureaucracy issue and success of consumer cooperatives. Bureaucracy issue had effect on success of consumer cooperatives at significant level above  $p$  0.10 = Thus, the hypothesis states bureaucracy issue has negative and significant effect on success of consumer cooperatives. Null hypothesis rejected.

The regression result shown market and finance factor had a positive coefficient association between and success of consumer cooperatives. Market and finance factor had effect on success of consumer cooperatives at significant level  $p$  value = 0.01. The hypothesis that states market factor has positive significant effect on success of consumer cooperatives accepted and market and finance factor positive insignificant effect rejected. The result is consistence with (Dogarawa, 2020) and (Birchall study indicates that, know a day cooperatives faces crisis of capital, crisis of believability and crisis of management.

The regression result shows that a positive coefficient association between infrastructure and success of consumer cooperatives. The regression result shows that a negative coefficient association between infrastructure and success of consumer cooperatives. Thus, the hypothesis states infrastructure issue has negative insignificant effect on success of consumer cooperatives

rejected. The study supported as acquiring information, input procurement and getting market require more resources of the cooperatives in countries of poor infrastructures (WB, 2004).

## 4.8 Multiple Regression Model Results

**Table 4.14 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.745 <sup>a</sup>	.730	.721	1.07633	.730	1730.585	7	377	.000

Source: SPSS output

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \dots + \epsilon$$

As shown on model summary the R<sup>2</sup> for model is 0.735 about (73.5%) of variation in success of consumer cooperative was explained by the independent variables of this study. In other words 23.5% of variation in success of consumer cooperatives is due to other factors that are not included in study. Additionally, the R<sup>2</sup> result indicates the overall goodness of fit of the model used in this study. Furthermore, sig. F change = 0.0000. The F-value indicates that the model is significant. Therefore, that all the coefficients are jointly zero is rejected. Hence, the change in dependent variable is well explained by the change in the independent variables of the model.

**Table 4.14 ANOVA Result**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	14033.946	7	2004.849	6.585	.001 <sup>b</sup>
Residual	436.747	377	1.158		
Total	14470.693	384			

Source: SPSS output

The result on table no.08 presents the overall significance of the regression which has been tested by using F-statistics. The F value of 6.585 with a significance of 0.001 which is less than 10 percent significance level ( $0.1 \% < 10\%$ ). This means that the variation described by this model is appropriate and not occurred by chance. Hence the regression is significant and linear relationship exists between variables.

#### 4.9 Classical Linear Regression Model Assumption (CLRMA)

##### **Assumption 1: The Mean of the Disturbances is Zero ( $E(\epsilon) = 0$ )**

The mean of the disturbances will always be zero provided that there is a constant term in the regression. If a constant term is included in the regression equation, this assumption will never be violated. So that in the models of this study a constant term is included. As a result this assumption was not violated

##### **Assumption 2: Multicollinearity Test**

The other Assumption of the CLRM is that there is no multicollinearity among the explanatory variables included in the regression model. When the explanatory variables are highly correlated with each other there is a problem known as multicollinearity. Multicollinearity in the regression model suggests substantial correlations among independent variables. Multicollinearity problems exists when the correlation coefficient among variables is greater than 0.9.

The method used in this study to test the existence of multicollinearity was checked by the Pearson correlation between the independent variables. As shown table below accordingly, all correlation results are below 0.9, which indicates that multicollinearity is not a potential problem for this study.

**Table 4.15 Culinary Statics**

Tolerance	VIF

.114	8.748
.251	3.989
.176	5.678
.314	3.186
.176	5.679
.145	6.875
.167	5.997

Source: SPSS output

Table 4.15 Model Summary

### Assumption 3: Covariance between the Error Terms over Time is Zero

This assumption test will be conducted when the errors are linearly independent of one another, it would be stated that they are correlated (serially correlated) . Hence the Durbin Watson statistics (D-W stat) shows from the regression result 2.38 which is nearer to 2 there is no evidence for the presence of autocorrelation (Gujarati, 2008)

Table 4.16 Durbin – Watson statistics

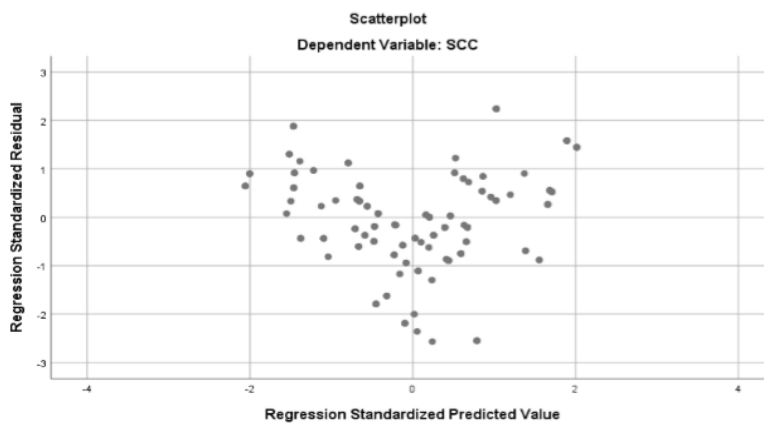
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.985	.730	.721	1.07633	.970	1730.585	7	377	.000	2.38

Source: SPSS output

#### Assumption four: Homoscedasticity test

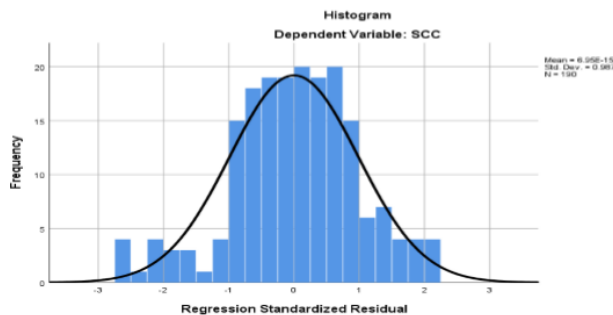
Homoscedasticity refers to the equal variance of errors across all levels of the independent variables (Osborne & Waters, 2003). This implies it requires an even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2003).

If the error terms are distributed randomly with no certain pattern, the problem is not detrimental for analysis. The scatterplot in Fig below shows that the standardized residuals in this research are distributed evenly which shows that no violation of homoscedasticity.



#### Assumption 5: Normality Test (Errors are Normally Distributed)

This test is performed to confirm the assumption of CLRM which states that the disturbances terms are normally distributed.



## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Conclusions

The paper has found that the studied consumer cooperatives have members who are politicians, as well as the interference of political persons, has highly affected the success of consumer cooperatives. This indicates the presence of political influence on the decisions and other activities of the consumer cooperatives.

The study has found that in terms of technology adoption, most consumer cooperatives currently have computer software and hardware in their office for various activities of the cooperatives. However, the results also confirmed that these consumer cooperatives have no access to internet service at all.

Regarding computerization and other technological adoptions progresses the excellence of work in the consumer cooperative and technology-related encounter distress the accomplishment of consumer cooperative in a pronounced way. Staff preparing in administration improves the accomplishment of the consumer cooperative and lack of co-operative training in management skills to society officials leads to mismanagement of the consumer cooperative. The descriptive result also showed that consumer cooperative is not offering standardized predetermined services for customers. Bureaucracy has not effect consumer cooperatives.

The management works individually and not compact with teamwork in carrying out management tasks. Management as teamwork requires the ability to work together, both with fellow members of the management and with other parties. In addition to the inability to work together, administrators have not adequate levels of education and organizational experience. Education and experience can improve one's knowledge and skills. Included educational factors because through education the insights of management knowledge and skills became wider and had a mindset that could encourage the development of cooperatives

The consumer cooperatives are successful in providing fairness of prices of goods and services for their customers. However, these consumer cooperatives are falling behind in terms of overall performances, the sufficiency of consumer goods they provide to the community, timely supply of basic goods and services, consistency of supply of essential goods/commodities, and lack of promotion. Thus, the studied cooperatives have problems such as lack of adequate products based on their customers 'needs, and lack of timelines of supply of basic goods and services.

Consumer cooperative in study area affected by different factors related to resource, infrastructure and administrative which have an impact on customer satisfaction. As indicated in the finding infrastructure played decisive role for achieving better performance due to the perishable nature of consumable goods supplied by consumer cooperative convenient distribution center/working area was major factors that affect consumer cooperative. The second most important issue need to be addressed in consumer cooperative were resource factors, such as inadequate source of capital, lack of skilled man power and lack of technical knowhow to manger cooperative. From all items, inadequate source of capital is the major issue need to be resolved and have impact on performance of consumer cooperatives.

Finally the researchers tried to identify other factors and challenges of consumer cooperatives success by interviewing management committee, staff and some potential members of cooperatives. As interviews response, In general the main establishment objectives of consumer cooperatives are to contribute the economic and social development of citizens, especially for improving the life of low income society. According to this study concerning the availability of basic products, consistency of supply of basic products, appropriateness of customer handling and customer service, commitment of leaders, quality of products ,participation of members ,government support and distribution of products, they are unsatisfied. On the other hand about reasonable price of products and convenience of consumer cooperative shops they are yet not satisfied.

## **5.2 Recommendations**

Consumer cooperatives must not be constricted to single-purpose like economic, financial, and decision-making phases, as we understand that consumer cooperative members

need training together with active citizens, whereas consumer cooperatives managers need to make good measurement ineffective behaviors to bring change to the economic empowerment to the members and other nonmembers who participate to the consumer cooperatives business activities.

To improve the success of consumer cooperatives in economic and social empowerments, South west Ethiopia must have to re-organize all failure cooperatives and must provide loan to them, to keep marketing stability at all seasons and carry out awareness creation as a safe way to help members for inflation which happen in the city. Experience is basically an understanding of a work that is lived by someone so that they acquire knowledge, skills or attitudes that are integrated with the person concerned. The longer someone enters a job, the more experienced and skilled in managing work. More explicitly that professionalism and work skills increase with work experience. Education and experience change the cognitive, affective, and psychomotor structure of someone who experiences it, then determines behavior. Managers who are educated and experienced are expected to improve their ability (performance) to manage cooperatives

The management should compact with teamwork in carrying out management tasks. Management as teamwork requires the ability to work together, both with fellow members of the management and with other parties. In addition to the ability to work together, administrators have need adequate levels of education and organizational experience. Education and experience can improve one's knowledge and skills. Included educational factors because through education the insights of management knowledge and skills became wider and had a mindset that could encourage the development of cooperatives

The factors that prevent the success of consumer cooperative needs an important task to avoid them that the improvements to the economic status must develop, natural risk, and lack of good security in the area, lagging technological advance and political interference are the main factor that hinders the development of the in the cooperatives in the study area. Therefore, Bench sheko, Sheka and West omo zones should solve these challenges.

The result found out that quality of goods and services which has been delivered by the consumer cooperative is not satisfactory or it is not going on the expected level. Therefore, the cooperative is expected to improve the quality of goods and services which has been delivered by using comments which has been given by users or members of the consumer cooperative. In addition to quality, consumer cooperative in the case worda is not proactive to access or introduce new products for users. In this regard the cooperative is recommended to introduce new products based on users the request through identifying the needs of the community.

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