

# Effect of Co-Operatives on the Livelihoods of Rural Sirisia Constituency in Bungoma County, Kenya

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## Abstract

The cooperative movement is a key variable in the growth of the Kenyan economy especially in the rural households. Historically, agricultural cooperatives in Kenya have been a successful and common aspect of rural life; especially in as far as social-economic growth is concerned. These cooperatives have allowed for economic stability and provided a framework for local investment that is community based. The latter is particularly important because while complimenting economic development, cooperatives also directly contribute to community development by establishing local channels of communication and enhancing local decision-making (Brennan and Luloff, 2005). Much of the developing world is experiencing rapid economic growth and the cooperatives aim to bring that growth in the rural areas. However, there has been a challenge in the administrative operations and sustainability of most Agrarian cooperative societies that have diversity in terms of membership. It's for this reason that this study sought to assess the effect of Agrarian Co-operatives in social-economic development in rural areas, specifically Sirisia constituency, Bungoma County, Kenya. Specifically, the study aims to ascertain the effect of cooperative societies on the livelihoods of the rural households in Bungoma County. The study employed descriptive survey research design. Both qualitative and quantitative data was collected. It targeted 534 members of the cooperative societies from Sirisia Constituency of Bungoma County. A sample of 107 respondents was selected from the target population using stratified random sampling techniques. The study used a standard questionnaire during data collection. Data was analysed using both descriptive and inferential statistics with the aid of the Statistical Package for the Social Science (SPSS). The findings of the study revealed that the current Cooperative Societies have a very little positive impact on the livelihood of the community members. The study concluded that though the Agrarian Cooperative Societies have a significant positive association with the livelihood of the community, their positive impact on the community livelihood is not felt. In this regard therefore, there is need for the government to facilitate the Agrarian Cooperative Societies to save them from collapsing as much as they are much into the idea of devolution.

**Keywords:** Agrarian Co-operatives, Social-economic, Development, Rural Areas

## 1.1 Background

The International Cooperative Alliance (ICA 2004) defines a cooperative as "...an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise". A cooperative is meant to embody the values of self-help, honesty, openness, self-responsibility, social responsibility, democracy, equality, equity, solidarity, mutual caring, efficiency, effectiveness, transparency and accountability (ICA 2004).

The (ICA 2004) identifies seven principles that ought to guide the formation, organization and activities of cooperatives: Voluntary and open membership, Democratic member control, Member economic participation, Autonomy and independence, Education, training and information, Cooperation among Cooperatives and Concern for Community (ICA 2004).

The cooperatives also have a set of ideals and principles that guide the formation and operation of the cooperatives according to Rochdale principles (ICA 1995). The seven principles laid down include; open and voluntary membership to all, in that being a members of the cooperative, one must join voluntarily without coercion, intimidation or discrimination, principle of democratic member control; states that the cooperatives are a democratic entity hence they are governed by their own policies and regulations as laid down and agreed by all the members, principle of member economic participation; states that all the members contribute equitably towards the cooperative and they democratically control the capital of the cooperatives, principle of autonomy; states that cooperatives are autonomous in nature and are independent meaning if they are to engage in any partnership for example with the government, they will still have the benefit of autonomy and will still benefit from their democratic rights in any agreements, principle of education, training and information states that members of the cooperatives have a right to information and additional trainings that can educate them on how best they can be effective in terms of development. The managers also have a mandate to inform the public on the whereabouts of the cooperative services and operations, the principle of cooperation among cooperatives; states that, members of the cooperative are supposed to work hand in hand with other local, regional and international cooperatives so that

they strengthen, gain and learn from each other, principle of concern for community states that; the cooperatives have an obligation to their community members in that they are expected to come up with development plans and structures that are agreeable by members and can be of good to the community in terms of development. (ICA 1995).

The first agricultural cooperatives were created in Europe in the seventeenth century in the Military Frontier, where the wives and children of the border guards lived together in organized agricultural cooperatives next to a funfair and a public bath. The first civil agricultural cooperatives were created also in Europe in the second half of the nineteenth century. They spread later to North America and the other continents. They have become one of the tools of agricultural development in emerging countries. Farmers also cooperated to form mutual farm insurance societies. Also related are rural credit unions. They were created in the same periods, with the initial purpose of offering farm loans. Some became universal banks such as Credit Agricola or Rabobank (Birchall, 2004).

Asian societies and Latin America have adapted the co-operative model, including some of the most successful in the world. Substantially independent efforts to develop employee-owned enterprises or co-operatives have occurred as responses to crises, such as the systemic IMF-based default in Argentina in 2001. In Brazil, the World Social Forum process led to the articulation of Solidarity Economics, a modern, activist formulation of co-operativism, with the MST landless worker's movement demonstrating enormous courage and social entrepreneurship (Shrage and Fontan, 2004).

The co-operative model has a long history in the U.S. The U.S. has some diverse worker co-operatives, such as an organic bread factory co-op and an engineering firm. Some have already incorporated environmental and/or Fair Trade criteria into their products, such as the aforementioned bread-maker, Organic Valley foods, and Equal Exchange. The International Labor Organization, originally established in 1919, has a Co-operative Division (Birchall, 2004).

The first Kenya's Co-operative Society, Lumbwa Co-operative Society, was formed in 1908 by the European Farmers with the main objective of purchasing fertilizer, chemicals, seeds and other farm input and then markets their produce to take advantage of economies of scale. In 1930, Kenya Farmers Association was registered as a Co-operative Society to take over the role of supply of farm input played by Lumbwa Co-operative Society. The African smallholder farmers fought for formation of their own Cooperatives and later in 1950's they were allowed to promote and register Co-operatives for cash crops like coffee and pyrethrum. Consequently at independence in 1963, there were 1,030 Co-operative Societies with 655 being active with a total membership of 355,000. (Mudibo, 2005).

The policy objective of the Kenyan cooperative movement is to spur sustainable economic growth by focusing on achievement of desired outcomes through strengthening of the movement, improving cooperative extension service delivery, corporate governance, access to markets and marketing efficiency (International Monetary Fund 2007). The cooperatives have an immense potential to deliver goods and services in areas where both the public and the private sector have not ventured (Verma, 2004). In most cases cooperatives are local institutions that address "local needs", employ "local talent" and are led by "local leaders" either directly or through local branches.

The Cooperatives in Kenya are organized into service and producer cooperatives. The producer cooperatives' objectives are to promote the use of modern technology and contribute to national development through production. The service cooperatives are responsible for procurement, marketing and expansion services, loan disbursement, sale of consumer goods and member education. The cooperatives have made remarkable progress in agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing. Service cooperatives are the closest to communities and are organized on a shareholder basis formed by individual members of organizations, voluntarily working in a specific geographic area. For instance, primary level sugar cane farmers cooperatives provide a collection point for the farmers' produce, negotiate the per ton cost of sugarcane (Chambers, & Conway 1992).

Co-operatives are also better positioned to provide local institutional support towards the implementation of those donor-assisted rural development projects whose implementation has a limited time span linked to specific targets and whose achievement requires significant local and community inputs. Co-operatives could be used in collaboration with government and nongovernmental programs. They could augment existing programs, and provide primary economic opportunities in areas not reached by state and nongovernmental programs. In these locales, cooperatives would build on established traditions of community involvement (religious events, sport, art, cultural items, and natural resources), (Bendick and Egan, 1995).

Aside from traditional agricultural and livestock ventures, cooperatives focusing on livestock, fishing, forestry, and other natural resource based activities have also been effectively used (Bendick and Egan, 1995). However, cooperatives can take a variety of other forms based around tourism, the arts, small manufacturing, aquaculture, and other conditions reflective of the unique local characteristics of the area (Cawley et al., 1999; Jodahl, 2003; Phillips, 2004; Brennan and Luloff, 2005). Recent research shows that specialized production cooperatives and small manufacturing enterprises have also shown promise and are increasing in use (Phillips,

2004; Brennan and Luloff, 2005; USDA, 2005).

### **1.2 Statement of the problem**

Cooperatives spur Economic growth yet they have been left to lie dormant in many counties around the country (Manfred 1996). They are generally regarded to be significant generators of employment opportunities in Kenya yet the government does not allocate enough resources or effort to ensure the survival of the sector (USDA, 2005). The members of the co-operatives are deregistering while others are leaving their membership to lie dormant because of the inefficiencies and corruption endemic in the movement (Manfred, 1996). The Ministry of Cooperative Development and Marketing estimates that the movement directly employs over 300,000 people. These are the people who are charged with the responsibility of managing cooperatives for a wage (Ministry of Cooperative Development and Marketing, 2008). In addition to such direct employment in the movement, cooperatives are also estimated to generate employment for over 1.5 million people indirectly. Such indirect jobs are held at different levels.

Co-operatives have long supported the socio-economic transformation of their communities. Their roles in generating a more inclusive decision-making process, providing members with adequate bargaining power, ensuring increased economic security, promoting community empowerment and serving as channels for organized local development have often been recognized as essential ingredients for rural community development (USDA, 2005).

They also make significant contributions in forging community solidarity, uplifting the human spirit, promoting togetherness, and helping to combat a feeling of helplessness that poverty can induce. Residents who join local organizations have the opportunity to tap the 'we-feeling' that group solidarity generates, which is an essential social capital that the poor can rely on (USDA, 2005).

However, with the adoption of the new Kenyan constitution (2010), that introduced the devolution outreach programs by the County governments, which meant that the county governments are expected to manage their own affairs including the Agricultural aspects like managing Agricultural Cooperative societies, this devolution has led to most Agrarian Cooperative societies to lose members, this is according to the Ministry of Agriculture, livestock and fisheries' report on the development of Cooperatives in January 2016.

There has been a challenge in the administrative operations and sustainability of most Agrarian cooperative societies that had diversity in terms of membership (Manfred 1996). It is for these reasons that this study sought to investigate the effects of Agrarian cooperative societies in the livelihoods of rural households in Kenya, specifically in Sirisia constituency, Bungoma County.

### **1.3 Objectives of the Study**

The study will be guided by the following specific objective

- i. To ascertain the effect of cooperative societies on the livelihoods of the rural households in Bungoma county.

### **1.4 Research questions**

- i. What are the effects of cooperative societies on the livelihoods of the rural households in Bungoma County?

### **1.5 Justification of the study**

The study aimed at establishing how Co-operative societies affected social-economic development of the households in Sirisia constituency of Bungoma County, and also to show how to improve on the current movement by showcasing alternative and inexpensive ways of solving the problems encountered by the movement in Bungoma which will make the county more attractive to investors and other stakeholders.

Households and farmers in general will benefit since civic education would be carried out to show the benefits of belonging to a co-operative society both social and economic. This will enable the farmers and the said households to start reaping maximum benefits from their agrarian activities. The cooperative societies will benefit by getting to know the best practices when it comes to operations and the government would determine the best policies to formulate in order to ensure the growth of the cooperative movement in Kenya.

It will be of great benefit to researchers as it would provide well compiled literature on the same topic and the variables that will be used in this study. The future scholars will get a grip of knowledge about the effect of co-operatives in the social-economic development in the rural, opening up about the challenges and the opportunities, threat and strengths of existing measures by the government and other stakeholders. The research will enable any other researcher who may want to do the same research in the same field to know what challenges to expect, how to handle such challenges and the area to be researched in to detail.

## 1.6 REVIEW OF RELATED LITERATURE

### 1.6.1 Co-operative Governance

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations. Central to the success or failure of any cooperative is a functioning Board of Directors that represents all of the co-op's members. Therefore, it is critical that the right co-op members are nominated and elected to the Board of Directors. Some cooperatives struggle with the nominating process, and finding qualified members to serve on the Board, or even finding individuals who are willing to serve, can be quite a challenge. Co-operatives should always strive to pick individuals who have the institution's interest at heart. (Republic of Kenya, 2004b)

Well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. To that end, organizations have been formed at the regional, national, and global levels. In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of the enterprise (Mudibo, 2005).

Democratic imbalances in the co-operatives result when new, professional and salaried leadership is brought in to work with the original members. Additionally, the managerial development of the co-operatives demands strategies that require effective managers to design them and put them into practice. Inadequate attention to this can cause economic imbalances. Owing to the nature of these managerial functions, which is bound up with the administration of information, managers tend to concentrate increasing decision-making power in their own hands. If checks and balances are lacking, that decision-making capacity may end up guiding the path of the society and potentially colliding with the interests of the members and with the democratic model. This phenomenon is also known as the Iron Law of the Oligarchy (Michels, 1911) and some authors (Spear, 2004) argue that the big co-operative organizations are the prototype of a managerial corporation in Galbraith's sense. Studies that centre on this sector conclude that co-operatives behave as prototypes of the technocracy-dominated 'managerial corporation'. (Manyara, 2004).

Studies such as those of Bataille-Chedotel and Huntzinger (2004), which analyses the typology of co-operative managers according to their origin, training, length of stay in the post and relation with social value creation, or Cornforth (2003), which establishes different models of manager, centre on the power of managers. Along the same lines, Spear (2004) points out that compared to managers in capitalist companies, co-operative managers enjoy positions of far greater power and much wider margins of discretion, unfettered by the membership, as the attendance rates at the Annual General Assemblies of members tend to decrease with the age and size of the organization. Again, Akella and Greenbaum (1988) highlight the co-operatives' greater permissiveness towards expense preference behavior, in other words, the members have a high tolerance of management power. This behavior is accentuated with a diffuse membership (diffused ownership), which tends to trust in government regulation and is not prepared to bear the cost of effective control. These tensions have an impact on the co-operatives and alter the above-mentioned balances, resulting in shortcomings in co-operative governance.

According to Michels (1911) the following indicators are useful for identifying these tensions: Indicators of democratic imbalance: In relation to the General Assembly: Attendance rates at members' meetings, relevant information given to the members, Members' intellectual capacity to process the information, Existence of institutional mechanisms to increase participation: preparatory assemblies, coalition of votes, etc., Members' interventions in the meetings and the quality of the interventions. In relation to the Board: Representativeness of the board members in relation to the social structure of the General Assembly, Board members' length of office (especially the Chair), Board's capacity to effectively control managers and employees, Board members' technical and leadership skills

Indicators of economic imbalance: A marked tendency towards falling numbers of members attending members' meetings, The existence of incompetent salaried managers, The existence of salaried managers with little interest in the members but with a considerable interest in the expansion plans of the co-operative and in their opportunities for personal progress, The board members' lack of relevant skills to carry out effective supervision, The board's absence of effective power due to its lacking technical information about the co-operative, Links among board members and salaried managers that call the monitoring capacity of the former into question, Low rotation of board members.

### 1.6.2 Co-Operative Operations

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The co-operative principles are guidelines by which co-operatives put their values into practice (Phillips, 2004).

Co-operatives 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. They are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner. If the rights are taken or transgressed then the organizations suffers in accountability and transparency (Okello, 2006).

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members 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 co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership. Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy (Phillips, 2004).

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation. Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures. Co-operatives work for the sustainable development of their communities through policies approved by their members (Republic of Kenya, 2004a).

With proper cooperative operations the affair of the cooperatives would be run more smoothly and there would be accountability and transparency which will be appreciated by the members, increasing their participation thus boosting the economic performance of Kenya. Most members left or became dormant because they were not satisfied by the way the cooperative movement was being conducted. There is a lot of slack, corruption, nepotism and favoritism which has brought the movement to its knees.

### **1.6.3 Government Policy**

Sessional Paper No. 6 of 1997 on "Cooperatives in a Liberalized Economic Environment" (Republic of Kenya, 1997a) provides the current policy framework for cooperative development in Kenya. The policy was formulated after the liberalization of the economy, which necessitated the withdrawal of state control over the cooperative movement.

Cooperative development in Africa has generally traversed two main eras: the era of state control and that of liberalization. The first era saw the origin and substantial growth of cooperatives on the continent under state direction. Originating from government policy and directives rather than people's common interests and own motivation, these organizations were conditioned to emerge as dependent agents and/or clients of the state and other semi-public agencies in many countries, particularly the Anglophone ones like Kenya. By serving as instruments for implementing government socio-economic policies, cooperatives in many countries more or less served the interests of the state than the ordinary members and the general public. These institutions were subsequently engulfed into state politics to the extent that the failures of state policies found expression in the cooperative movement. This partly explains why reports on the failure of cooperatives, just like the state, to meet their developmental expectations during this era abound in the literature (IMF, 2007).

It is such failures that partly triggered calls for a change in cooperative development in the early 1990s. Two authoritative World Bank studies on cooperatives in Africa (Hussi et al, 1993; Porvali, 1993), for example, acknowledged the potential role that cooperatives could play in the development process, but only if they were restructured and disentangled from the state so as to be run on business principles. The implication, therefore, was that state control was stifling the performance of cooperatives and their potential contribution to development could only be realized if they operated according to market principles. This thinking during the liberalization of the economy in most African countries saw cooperative development enter the second era (World Bank, 1998).

Whereas cooperative development in Africa during the first era is well documented in the existing literature, the second era of cooperative development seems not to have been adequately researched. It is about a decade since the introduction of liberalization measures in African cooperatives, yet very little is known about their impact on cooperative development despite the continuing debate in favor of cooperatives as the most suitable form of organization for poverty alleviation (Birchall, 2004).

Evidence from the field suggests that cooperatives have indeed survived the market forces and continued to grow in number and membership, with non-agricultural cooperatives recording higher growth in this regard than the agricultural ones. The market forces have, however, triggered a transformation in the structural organization of cooperatives in the country. Due to their inability to provide members with competitive services, state-imposed federative and apex cooperative organizations are increasingly fading away. To reclaim the services that were

previously provided by such federative and apex organizations, cooperative societies and unions are steadily making their own arrangements to provide the services to their members. Thus, the indication is that liberalization has given cooperatives the impetus to re-examine their organizational formations with a view to reorganizing in their best interest rather than that of the state as had been the case in the era of state control (Ministry of Information, 2010)

#### **1.6.4 Sustainability of the co-operative movement**

Co-operatives are a major part of the global economy. According to the most recent figures of the World Co-operative Monitor the 300 largest co-operatives in the world have a combined turnover of USD 2.2 trillion, the equivalent of the 7th largest national economy, and according to a recent study 250 million people are employed or earn their living thanks to a co-operative. Co-operatives can combine economic growth with quality employment and are recognized by international organizations like the ILO for their work in this area (World Co-operative Monitor, 2012).

The cooperative employment directly concerns 250 million people in the world, without mentioning indirect and induced employment. Indeed, no other type of enterprise can claim to provide employment to so many people and, at the same time, show such resilience to crises and economic downturns and provide such high employment stability (in many producers' families, generations), and be characterized by such a balanced distribution between urban and rural areas.

Co-operatives have always endeavored to enable people to have access to goods and services without exploitation – to realize their needs and aspirations. This has led co-operatives to pursue a convergence between economic, social, and environmental interests – building triple bottom line sustainability (World Co-operative Monitor, 2012).

A key part of the Blueprint for a Co-operative Decade is to demonstrate convincingly that sustainability is inherent to the nature of co-operatives, and that co-operative enterprises make a positive contribution to sustainability. It is noted that in the face of multiple crises and natural disasters, co-operatives have maintained high credit ratings, increased assets and turnover, and expanded their membership's base (Mudibo, 2005).

The UN is correct to place its hope in the co-operative model as an engine of sustainability. There is a clear and direct relationship between sustainability and how co-operatives describe themselves. The linkages to social dimensions of sustainability are stronger than the linkages to environmental and economic dimensions, but all three are present. The results of the crowd sourcing demonstrate that co-operatives embed sustainability into their operating model and values, but further study is required to understand definitively the degree to which co-operatives are 'walking the talk'

#### **1.6.5 Performance of co-operative movement in Kenya**

Kenya has a long history of cooperative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. (Ministry of cooperative development & marketing, 2008) Cooperatives are recognized by the government to be a major contributor to national development, as cooperatives are found in almost all sectors of the economy. With the total population of Kenya at approximately 37.2 million (Republic of Kenya, 2008a: 13), it is estimated that 63 per cent of Kenya's population participate directly or indirectly in cooperative-based enterprises (Ministry of Cooperative Development & Marketing, 2008: 4).

Indeed, the Ministry of Cooperative Development and Marketing estimates that 80 per cent of Kenya's population derives their income either directly or indirectly through cooperative activities. Empirical evidence shows that cooperatives play an important role in Kenya's economy. In the agricultural sector, cooperatives previously handled over 72 per cent of coffee sales, 95 per cent of cotton sales, 76 per cent of dairy produce sales, and 90 per cent of pyrethrum sales. However, with the exception of coffee and dairy cooperatives (whose share in the total market has remained stable), other agricultural marketing cooperatives have seen their market share fall below 40 per cent, with cotton cooperatives recording a paltry two per cent of the marketed bales of lint in 2008. Nevertheless, the greatest contribution of cooperatives to Kenya's social and economic development is in the financial sector where financial cooperatives (savings and credit cooperatives [SACCOs], KUSCCO, Cooperative Bank and CIC) hold substantial savings portfolios. On the one hand, the Cooperative Bank, the fourth largest bank in Kenya, has a capital base of over KES 13.5 billion (USD \$180 million).<sup>1</sup> On the other hand, the combined assets of all SACCOs are worth approximately KES 200 billion (USD \$2.7 billion), out of which approximately KES 150 billion (USD \$2 billion) are members' deposits, which consist of both shares and savings. Of a total turnover of KES 24.3 billion (USD \$323.4 million) for the entire cooperative movement in 2007, SACCOs posted a combined turnover of KES 14.4 billion (USD \$192 million). Agricultural cooperatives' total turnover was KES 8.4 billion (USD \$112 million) (Ministry of Cooperative Development & Marketing, 2008: 20).

With the cooperative movement playing such a significant role in economic development, the Government has over the years maintained an institutional framework to develop the movement. The department of Cooperative Development and Marketing now under the expansive ministry of agriculture is the current Government's official agency for coordinating cooperative development in Kenya.

Most writers and theorist have clearly shown how the cooperative movement has evolved from the beginning

to the present and how it has been instrumental in transforming lives in the rural areas. However they have not shown to what extent the transformation can be attributed to the movement alone. Clearly the movement exists alongside other agents of change and development.

The theory of cooperative movement proposed that if the working man ever was to achieve equality, then the man must change first - in attitude. Also, the working man had to know of, believe in and be equipped to fight for the cause. This is very much the self-help ethic. However the theory of cooperative marketing counters this by stating that personal work ethics alone cannot bring about societal development, there should be some level of cooperation and structure in the community that can pool their efforts together. Social development theory further attempts to explain qualitative changes in the structure and framework of society that help the society to better realize its aims and objectives.

The government of Kenya has instituted excellent cooperative legislation to bring about a conducive legal framework for the operation of the cooperative movement. However the government has failed to come up with the mechanisms to enforce the laws and the policies governing the cooperative movement in Kenya. Thus the government needs to step up its policing of the cooperative movement in order to ensure that its services are running smooth and the movement is benefiting local communities.

#### **1.6.6 Summary of literature review**

This chapter has provided an in-depth literature review. Related studies in Kenya and other countries have been analyzed and reveal that there exists a knowledge gap in understanding the effect of devolvement of Agrarian Cooperatives in social-economic development in rural areas.

From the review of past literature it's clear that the cooperative movement has had immense impact in the rural areas in Kenya and around the globe. This has been compounded by the fact that governments have taken it upon themselves to nature the phenomenon by introducing legislation to guide the growth and operations of the agricultural cooperatives.

There is scant knowledge about the full social-economic impact of the cooperative movement since most literature has not dealt with the issue. However there is a renewed call by the industry stakeholders to increase sustainability in the sector by making the cooperative societies transparent and inclusive by motivating and encouraging members' participation through proper leadership structures and greater accountability.

#### **1.6.7 Theoretical Framework**

There are many theories that explain the effect of agrarian cooperatives in social-economic development in the rural areas. They include the theory of the co-operative movement, and the theory of Social Development.

##### **1.6.7.1 Theory of the co-operative movement**

It was proposed by Robert Owen in 1817. Robert Owen has been called the 'father of English Socialism'. He was the founder of the Co-operative movement and believed in worker control although he was a high capitalist himself. He was the product of self-help and a very practical man who concentrated on the 'means to the end'. The theory proposed that if the working man ever was to achieve equality, then the man must change first - in attitude. Also, the working man had to know of, believe in and be equipped to fight for the cause. This is very much the self-help ethic (Chambers and Conway, 1992).

Owen became convinced that the advancement of humankind could be furthered by the improvement of every individual's personal environment. He reasoned that since character was molded by circumstances, then improved circumstances would lead to goodness. The environment at New Lanark, where he tried out his ideas, reflected this philosophy (Chaves and Sajardo, 2004). This theory supports the notion of an enabling environment and proper leadership that will foster sustainability in the long run. If people are motivated and given the impetus to apply them through creation of fair policies and equitable environment, then even their attitude to work will change and a new era of flourishing social and economic movements will be witnessed.

Cooperatives are basically operated on the values of self-help, self-responsibility, democracy and equality, equity and solidarity. Hence Cooperatives, operate on the seven principles namely; Voluntary and open membership, Democratic member control, Economic participation by members, Autonomy and independence, Education, training and information, Cooperation among cooperatives, Concern for community (ICA 1995).

##### **1.6.7.2 Social Development Theory**

It attempts to explain qualitative changes in the structure and framework of society that help the society to better realize its aims and objectives. Development can be defined in a manner applicable to all societies' at all historical periods as an upward ascending movement featuring greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, mastery, enjoyment and accomplishment. Development is a process of social change, not merely a set of policies and programs instituted for some specific results (Birchall, 2004).

Human development normally proceeds from experience to comprehension. The gathering conscious knowledge of society matures and breaks out on the surface in the form of new ideas espoused by pioneers who also take new initiatives to give expression to those ideas turning thought to organizations and eventually institutions. These institutions end up playing a significant role in the social and economic development of the community.

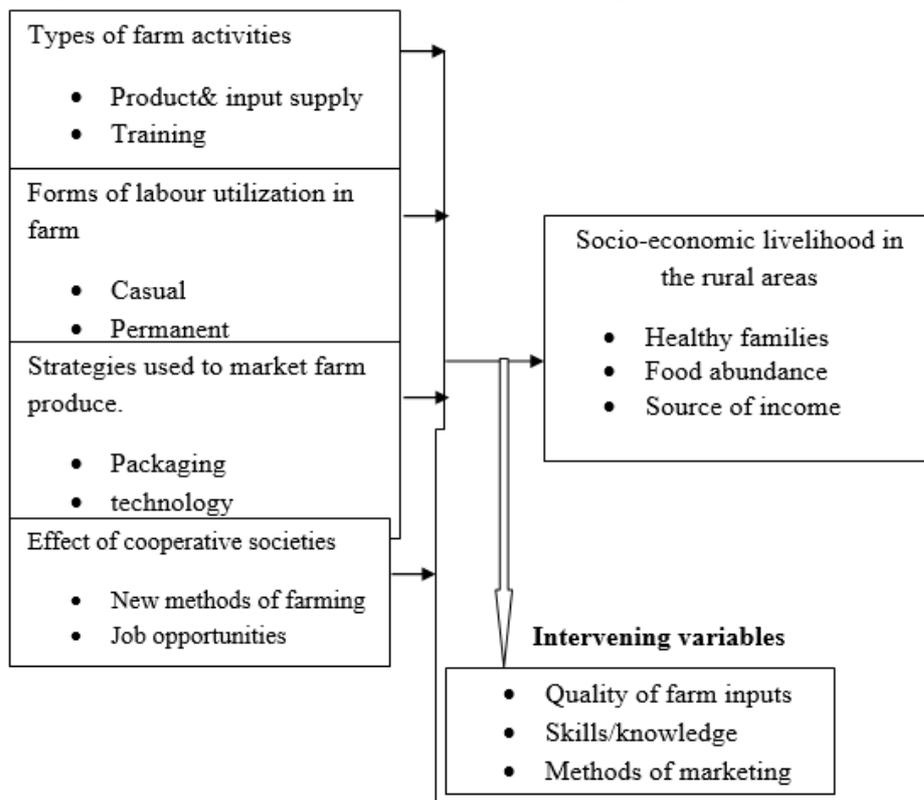
The cooperatives on social ground aims at creating network with other members of the cooperatives and social development by; raising the moral standards of its members, increasing prosperity among its members and the community at large, curbing social inequalities by having equal social status and general development of the cooperate life. (ICA 1995).

### 1.7: Conceptual Framework

Effects of Agrarian cooperative Societies on the socio-economic livelihood of households in Sirisia constituency of Bungoma County, Kenya;

#### Independent variables

#### Dependent variable



The types of farm products and input supply have an implication on the socio- economic livelihood of the people in the sense that the opportunities are created apart from the real farm related activities. The people's lifestyle will change because they will engage in entrepreneurial activities related to farming. They will supply the farm produce and even supply the farm input to the farmers thereby creating jobs. The training provided by the cooperative facilitators has an effect on the livelihood of the members of the society in the sense that relevant farming methods will be put into practice leading to high production. Forms of labour utilization farms will improve the livelihood of the people since they work as permanent or casual employees thereby earning income that will sustain them and their families. The cooperatives societies may employs the people in the society to help them achieve their objectives. As they achieve the overall objectives, employees too will achieve their personal objectives.

On the other hand the strategies used to market farm produce have an implication on the socio-economic livelihood of the people in the society. How the produce are packaged and repackaged can increase the income of the members of the community. The technology used in marketing can either increase the market niche or limit it. Therefore incorporation of technology especially use of computers, iphones among others increases the number of potential customers.

Cooperative societies play a very important role in the community. They avail job opportunities and therefore improve peoples' livelihood. The jobs created become sources of income which in turn is used to improve farming methods within the society. When people within the society are employed in the cooperative societies they are paid and therefore will be in a position to adopt new farming methods which will intern improve the society at large. The methods of forming practiced have implication on produce and thus the better livelihood of the people in the society. Modern methods especially those products that are genetically modified, have an implication too.

## 1.8 Findings of the Study

### 1.8.1 Response Rate

The unit of analysis was the Cooperative members who were selected as respondents for this study. A total of 107 questionnaires were administered to them out of which 105 were returned giving a response rate of 98.13%. According to Mugenda et al (1999), 50 % response rate is adequate, 60 % is good and above 70 % is rated very good. Based on this contention, the response rate for this study was rated as very good. The response was also considered appropriate since Sekaran (2008) argues that any response above 75 % is classified as best. The high response rate can be attributed to the data collection procedures, where the researcher notified the potential participant of the intended research in advance. The questionnaires were also administered by trained research assistants.

### 1.8.2 Period of membership in the Cooperative societies

Respondents were asked to state how many years they had been members of their current cooperative societies. This was to help to understand how much reliable the information given could be and the response is as shown in Table 4.5 below.

**Table 4.5: Respondents' years of membership in their respective current cooperative societies**

Membership in years	Frequency	Percentage (%)
1-5 Years	29	27.6
6-10 Years	34	32.4
11-20 Years	33	31.4
Over 20 years	9	8.6
<b>Total</b>	<b>105</b>	<b>100.0</b>

From the findings the study shows that 32.4% were in age bracket of 6-10, 31.4 % were 11-20 years, 27.6 were 1-5 and 8.6% were over 20 years. Majority of the respondents had over six years of membership in the cooperatives.

This is a clear indicator that majority of the respondents understand well their respective Cooperative Societies since they have been members for a long time thus information from them is likely to be valid and reliable.

### 1.8.2 Farm activities engaged in by 'Cooperative Societies' members in Bungoma County

Respondents were asked to state the farm activities that they are engaged into. 'Farm activities' engaged in by the Cooperative members, as an independent variable, was operationalized along the following dimensions; Products supply, farm input supply; training of members. The statements were anchored on a five point Likert-type scale as Strongly Agree (SA) = 5, Agree (A) = 4, Undecided (U) = 3, Disagree (D) = 2 and Strongly Disagree (SD) = 1. The respondents were asked to indicate the extent to which they agreed to the statements. The results are shown in Table 4.6 below.

**Table 1: Farm activities engaged in by 'Cooperative Societies' members**

Farming activities		Degree of agreement					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
Supply of farm inputs	Count	5	14	10	52	24	<b>105</b>
	Row N %	4.8%	13.3%	9.5%	49.5%	22.9%	<b>100.0%</b>
Supply of products	Count	4	30	20	42	9	<b>105</b>
	Row N %	3.8%	28.6%	19.0%	40.0%	8.6%	<b>100.0%</b>
Farming	Count	36	64	5	0	0	<b>105</b>
	Row N %	34.3%	61.0%	4.8%	0.0%	0.0%	<b>100.0%</b>

In regard to farming, majority of the respondents, 61% and 34.3% agreed/ strongly agreed (respectively) that farming is widely practiced by most of the Cooperative Society members. 4.8% didn't have idea while none of the respondents disagreed/ strongly disagreed with farming not being practiced by Cooperative Society members. With respect to Supply of the farm products, majority of the respondents, 40% disagreed that it was among the widely practiced farming activities by the Cooperative Society members. A significant proportion of the respondents, 28.6% and 3.8% agreed/ strongly agreed (respectively) while 19% had no idea whether or not Supply of the farm products is widely practiced by most of the Cooperative Society members.

In regard to Supply of firm inputs, majority of the respondents, 49.5% and 22.9% disagreed/ strongly disagreed that it was among the widely practiced farming activities by the Cooperative Society members. A significant proportion of the respondents, 13.3% and 4.8% agreed/ strongly agreed (respectively) while 19% had no idea whether or not Supply of the farm inputs is widely practiced by most of the Cooperative Society members. Data from KI indicated that:

*"Most of the cooperative members are engaged in crop/livestock farming as their main farming activities. That a few are engaged in the supply of firm inputs/products."*

In the study area the environmental conditions favors both crop production and livestock farming.

### 1.8.3 Farming among ‘Cooperative Societies’ members in Bungoma County

From table 1 above, farming among other farm activities seem to be the widely practiced by most of Cooperative Society members in the region as suggested by majority of the respondents, 61% and 34.3% who agreed/ strongly agreed (respectively) the same.

Assuming a combination of agree and strongly agree to fall in the same category of agreement while Neutral, disagree and strongly disagree to fall in the same category of disagreement, a Chi-square test was used to ascertain whether or not farming is widely practiced among the Cooperative Society members. The results are distributed in Table 4.7 below.

**Table 2: Significance test of farming among Cooperative Society members**

Farming is widely practiced by most of the Cooperative Society members		
Farm activity		In agreement
Farming	Count	100
	Row N %	95.2%
		In disagreement
		5
		4.8%
Chi-square test of difference in proportions		
		Farming is widely practiced among Cooperative Society members
Chi-Square		85.952 <sup>a</sup>
Df		1
Asymp. Sig.		.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 52.5.		

As shown in table 4.7, 95.2% of the respondents are in agreement that farming is widely practiced by most of the Cooperative Society members while only 4.8% of them are in disagreement. It's evident from the Chi-square test results that farming is significantly practiced by majority of the Cooperative Society members in Bungoma County,  $\chi_1^2 = 85.952$ ,  $p = 0.00 < 0.05$ .

### 1.8.3 Effect of Cooperative Societies on livelihoods of the rural households in Bungoma County

The study sought to ascertain the effect of the Cooperative Societies on the livelihoods of the rural households in Bungoma County. This was operationalized along the following dimensions; Introduction of new advanced methods of farming; and Job opportunities. The statements were anchored on a five point Likert-type scale as Strongly Agree (SA) = 5, Agree (A) = 4, Undecided (U) = 3, Disagree (D) = 2 and Strongly Disagree (SD) = 1. The respondents were asked to indicate the extent to which they agreed to the statements.

**Table 3: Farming methods availed by the Cooperative Societies to local farmers in Bungoma County**

Statement		Degree of agreement					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
The farming methods practiced are old and outdated with low production	Count	30	51	9	10	5	105
	Row N %	28.6%	48.6%	8.6%	9.5%	4.8%	100.0%
The advanced farming methods used are expensive to members	Count	19	40	32	14	0	105
	Row N %	18.1%	38.1%	30.5%	13.3%	0.0%	100.0%
The farming methods practiced are modern and hhave improved production	Count	5	0	0	71	29	105
	Row N %	4.8%	0.0%	0.0%	67.6%	27.6%	100.0%

Majority of the respondents, 48.6% and 28.6% agree/ strongly agree (respectively) that the farming methods practiced by members of the Cooperative Societies are old and outdated with low production as shown in table 3 above. Also, 67.6% and 27.6% of the respondents disagreed/ strongly disagreed (respectively) that the farming methods practiced are modern and have improved production. This is a clear indicator that the current farming methods being used by Cooperative members/ farmers are not effective (old and outdated).

### 1.8.4 Association between the old/outdated farming methods in use and the affordability of the current advanced farming methods provided by the Cooperative Societies

The study sought to establish the association between the old/outdated farming methods in use and the affordability of the current advanced farming methods provided by the Cooperative Societies. The results are shown in Table 4.

**Table 4: Association between the old/outdated farming methods in use and the affordability of the current advanced farming methods provided by the Cooperative Societies**

Chi-Square Tests of independence/ association						
		Value	df	Asymp. Sig. (2-sided)		
Pearson Chi-Square		86.945 <sup>a</sup>	12	.000		
Likelihood Ratio		88.287	12	.000		
Linear-by-Linear Association		35.434	1	.000		
N of Valid Cases		105				
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 19.20.						
Directional Measures						
		Value	Asymp. Error <sup>a</sup>	Std. T <sup>b</sup>	Approx. Sig.	
Ordinal by Ordinal	Symmetric	.528	.074	6.719	.000	
	The farming methods practiced are old and outdated with low production, (Dependent)	.511	.075	6.719	.000	
	The advanced farming methods used are expensive to members (Dependent)	.524	.076	6.719	.000	
a. Not assuming the null hypothesis.						
b. Using the asymptotic standard error assuming the null hypothesis.						

The Pearson Chi-square test results in table 4 above, ( $\chi^2_{12} = 86.945, p = 0.000 < 0.05$ ) indicates that there is an association between the “use of old/outdated farming methods among farmers” and the “affordability of the new advanced methods of farming introduced by the Cooperative Societies”. Assuming the “use of old/outdated farming methods among farmers” to be the dependent variable, the results of the Directional measure in table 4 above indicates that we increase our guess of why there is increased use of old/outdated farming methods among farmers/ Cooperative members by 51.1% by knowing how much expensive the advanced farming methods introduced by Cooperatives are. The highly expensive new advanced farming methods provided by the Cooperatives explains why most of farmers in the Societies have not improved on the farming methods thus we conclude that the Cooperatives have not done enough to improve livelihoods of the community members in terms of farming methods used.

#### 1.8.5 Job opportunities created to the Community members by the Cooperative Societies.

Respondents were asked to state if the Cooperative Societies have provided job opportunities to the community members and on what grounds they do give the job opportunities. The results are shown in Table 5 below.

**Table 5: Job opportunities provided to the community members by the Cooperative Societies**

Statement		Degree of agreement					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
Have been provided a job opportunity by the cooperative society	Count	40	43	10	12	0	105
	Row%	38.1%	41.0%	9.5%	11.4%	0.0%	100.0%
Family members to employers have been provided with job opportunities by cooperative society	Count	25	60	15	5	0	105
	Row%	23.8%	57.1%	14.3%	4.8%	0.0%	100.0%
Cooperatives are biased in providing job opportunities	Count	48	38	9	10	0	105
	Row%	45.7%	36.2%	8.6%	9.5%	0.0%	100.0%

Majority of the sampled local famers/ cooperative members seem to have been provided job opportunities by their respective Cooperative Societies as indicated by 41% and 38.1% of the respondents as shown in table 5 above. The study also reveals that majority of the famers/ Cooperative members who have been employed by the Cooperatives are family members to the employers. It should be noted that a majority of the respondents, 45.7% and 36.2% strongly agree/ agree (respectively) that their respective Cooperatives are biased in providing job opportunities to the community members.

## 1.9 Conclusion

Co-operative Societies have long supported the socio-economic transformation of their communities. Their roles in generating a more inclusive decision-making process, providing members with adequate bargaining power, ensuring increased economic security, promoting community empowerment and serving as channels for organized local development have often been recognized as essential ingredients for rural community development (USDA, 2005). However, the introduction of devolution by the government has led to most Agrarian Cooperative societies to lose members; this is according to the Ministry of Agriculture, livestock and fisheries' report on the development of Cooperatives in January 2016. The few members who are still in the Agrarian Cooperative societies in Bungoma County do practice farming activities which are but not limited to; Crop/livestock farming; Supply of farm products; and Supply of farm inputs. That small scale Crop/livestock farming is the widely practiced farming activity across most of Agrarian Cooperative societies in Bungoma County as the cooperatives have no adequate funds to support large scale farming.

Casual and Permanent jobs are the commonly utilized forms of labor in farm activities by most of Cooperative Societies. That Casual labor is widely utilized in farming activities among Cooperative Society members and have greatly improved the livelihood of the community members as compared to permanent jobs offered by the cooperatives. Most of the collapsing Cooperative Societies have been found not to have been effectively marketing their farm products using marketing strategies such as; Display, Exhibition; Technology, Media; and Quality improvement. Thus, limited awareness to the community as a whole, which results to ineffective attraction of new members to join the cooperatives.

### 1.10 Recommendations

In regard to the study findings and the above conclusion, the researcher makes the following recommendations: That there is need for the government to facilitate the Agrarian Cooperative Societies to avoid them from collapsing as much as they are much into the idea of devolution. This is because the Agrarian Cooperative Societies have been a great source of employment and a source of livelihood for the community members.

That the collapsing Agrarian Cooperative Societies should consider doing intensive marketing of their farm products and services offered in order to attract more members as this has been found to have been a weakness on their side. That most of the Cooperative Societies have not been putting in place the marketing strategies such as; Display; Exhibition; Technology; Media; and Quality improvement. Thus need for implementing the marketing strategies.

That the Agrarian Cooperative Societies should consider offering Casual jobs to community members rather than Permanent jobs. This is because casual jobs are the main sources of livelihood to most of the Community members as it cuts across the community as compared to permanent employment which is limited to a few individuals for a long time. Also, it's costly for the collapsing Cooperative Societies to employ members on permanent basis as compared to when they employ on Casual basis.

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