

# The Role of Members' Participation in Cooperative Success in Ethiopia

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## Abstract

Member-owned business organizations, such as cooperatives (or co-ops), are engaged in various economic activities that touch our everyday lives. In developing countries like Ethiopia, there are various advantages for small farmers in joining a cooperative, including lowering costs of marketing, purchasing inputs, bargaining, etc. Cooperatives contribute to the overall economic growth of Ethiopia. But, cooperative members' participation in the activities of cooperatives is often challenging, especially in large cooperatives with diversified business activities and with large and heterogeneous membership. The review aims to explore the role of members' participation in cooperative success in Ethiopia. The study is based on review of pertinent literature on members' participation in Ethiopia as well as secondary data obtained from various sources. The review identified the contributions of members' participation in cooperative success development, which contribute to the improvement of cooperative performance and the challenges facing the participation of members'. Finally; the study suggested promoting members' participation among the cooperatives which can increase cooperative development to improve cooperative development in developing countries in general and Ethiopia in particular.

**Keywords:** Members' participation, Participation, Cooperative development, Cooperative performance

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## 1. Introduction

Participation is an important indicator in improving members' understanding of their cooperative's organization. Member's participation is the act of taking part in any activity of the society by all members of the society. The active participation of members in their cooperative is vitally important to its success and one of the key factors that differentiates cooperatives from other types of business. Participation is woven through the seven cooperative principles, from democratic member control and economic participation, to the provision of education, training and information and concern for the community – participation in cooperatives means not just members' participation in their cooperative's governance, but also ensuring the participation of non-member stakeholders and the wider community

According to Selvaraj (2000), for effective functioning of the cooperative movement, enlightened members are the pole of the cooperative. These are members who are well-informed about cooperatives and their values and philosophy. These members will make themselves aware of the problems and have the willingness to contribute to the progress of the cooperatives. Such membership ensures the participation of member in the business and managerial concerns of the cooperatives. Vigilant members prevent financial irregularities and the occurrence of special interest in cooperatives.

As cited in Gnigwo (2010), ignorant, sleepy, inactive and indifferent members become a problem in their cooperatives as compared to enlightened members. They are prone to exploitation by the convert elements in the society. In more practical terms, members' participation is viewed in terms of participation in management, decision making and control, in business activities and in capital (Vishwanathan, 2000). But with the increasing size of the primary cooperatives and emergence of vertical structures, making decision is slowly shifting away from the base level units. Osterberg and Nilson (2009) stated that there was significantly higher member disloyalty, when members were dissatisfied with the management of their cooperative. According to Borgen (2001), members were seen to be highly devoted to decisions in which they have participated actively rather than decision which were forced on them. The more members participate in their cooperatives, the more they will be dedicated to their cooperative and grow it.

Consequently, the review aims at exploring the role of members' participation in cooperative development to improve cooperative performance and identifying the major challenges facing the sector in Ethiopia.

## 2. Methods

The study was based on review of pertinent literature on members' participation in Ethiopia as well as secondary data obtained from various source including Google scholar. Moreover, past study reports and cooperatives periodic activity reports, Federal Cooperative Proclamation No 147/1998 and Cooperative Societies (Amendment) Proclamation No. 402/2004. The most prominent secondary data were obtained from the Federal Cooperative Agency of the country.

### 3. Types of participation

According to Pimbert and Pretty (1997) as cited in Gigwo (2010), participation is classified in to seven types.

**They are:**

- A) Passive Participation: People take part by being told what is going to happen.
- B) Participation in giving information: People participate by answering questions posed by extractive research and project managers.
- C) Participation by consultation: People participate by being consulted, and external agents listen to their views. The external agents define both problems and solutions.
- D) Participation for material incentives - People participate by offering resources. For instance labor, in return for food, cash or other material incentives.
- E) Functional participation - People participate by creating groups to meet predetermined objectives related to the project that can involve the development of social organization externally initiated.
- F) Interactive participation - People participate in groups which lead them to action plans and the formation of new local groups or the strengthening of existing ones.
- G) Self- mobilization - people participate by taking initiatives independent of external institutions to change sys

### 4. Importance of members' participation

**For effective Leadership:** In a world of business, global leadership effectiveness becomes a major issue (Harteis, 2012). According to Punnett (2004), leadership is a key component of all organizations but its function and capacity get more complicated with the highest involvement in globalization and technology development. In a competitive business, a sustainable advantage of business depends on the skills and abilities of a leader who could manage and implement business strategies (Okoro, 2012).

Different authors have tried to define leadership differently and the factors that may affect leadership. Yokl (2010) defined leadership as the ability of individual to persuade, inspire and empower others to make contribution toward the effectiveness and success of the organization. Northhouse, (2013) and Yokl, (2010) described leadership as a process whereby a person influences other individuals to accomplish common group goals.

In cooperative, leadership involves a process of reaching an agreement through a group's decisions. Internal leadership is very crucial in applying policies and tasks which constantly enhance the operations of the cooperatives. A cooperative, although being a democratic organization fails to adopt the most efficient policies for its members. According to Fulton (2001), leadership problems occur when the cooperative fails to adopt for the leader that recommended the most effective policy for the organization and where effective policy for the organization is defined in terms of what is best for the members. This would lead to poor performance and the cooperative, in this case, is more likely to be pushed out of the market, by other more efficient organizations or players. This would call for the election of visionary leaders and a transparent election process, without candidates getting votes by manipulation. Strong leaders will help members to make decisions, based on their values and it should be able to balance the internal and external tensions, in order to create and empower enduring groups. Therefore, competent leaders have to be able to involve the groups in an efficient communication process to ensure members express their views.

**For Decision making:** Participation in decision making is a social and emotional involvement of person in a group situation which encourages him/her to provide group specific goals and allocate responsibility in a group activity (Berhane, 2008). Decision making is very essential for the activities of cooperative where every task to be done must be decided by the general assembly of the cooperative. Ochan (2015) in his study, observed that 61% of the respondents never participate in the decision making of setting objectives, preparation of bylaws and annual plan of their cooperatives because of less educational background and lack of awareness about cooperative's principles and values. Karli et al (2006) found that the decision making of members in their cooperatives is determined by the level of education, communication, income, farm size and the level of technology they may use.

**For Conflict resolution:** Conflict is a universal feature of human societies. It takes its origin in economic differentiation, cultural transformation, social and psychological development. All of which are inherently conflictual and becomes apparent through the formation of conflict parties, which perceived to have mutual incompatible goals. That means the identity of the conflict parties, the levels at which conflict is contested, and issues fought over may vary over time and may themselves be disputed (Wallenstein, 2007; Bercovith, 2009). Kohlieser (2007) described conflict as a difference between or among persons or groups created by disagreement and emotion, where bonding is broken or lacking.

### 5. Roles of members' participation in Ethiopia

Active members' participation is crucial for the sustainability of cooperative societies. However, there is no systematic study that reveals the role of members' participation in enhancing sustainability of cooperative in

provision of resources, in the process of decision-making, and in sharing of benefits to sustain their cooperative society. This passive and inconsistent participation of members had a negative impact for the sustainability of cooperative societies. Hence, the cooperative organization needs to strongly work on the improvement of the member participation in all activities and at all levels of cooperatives in order to sustain cooperative societies.

FAO (2001), “members must be involved as both users and owners through participation at three levels: participation in provision of resources, participation in the decision-making processes and participation in the Sharing benefits”. Additionally, Thomas and Charles (1998), agreed on the above idea, this means that “there is no cooperative without member participation”. Active participation in the cooperative context means that members are involved in all the functions of cooperatives including planning, decision-making, implementation and financial and management control” (International labor Organization, ILO/ International Cooperative Alliance, ICA, 2001). FAO (2001) and Mergia (2006), summarizes that “Member participation through both users and owners roles is key to the sustainability of cooperatives” and “the success of cooperative lays on the strong and all rounded members’ participation.

In Ethiopia; every new government was interested to promote cooperatives in its own way with no deep analysis of its strong and weak points. The main reason for such radical change was believed to be that government change in the country has never been made in peaceful way. Therefore, the Co-operatives during Imperial and Derge regime were not autonomous organizations and had purely political character and were considered as the extension of State institutions, and almost all lost their co-operative identity. As a result of the aforementioned problems, the cooperatives during Imperial and Derge regime were not sustained. This consequence created a bad image in the mind of population till now. This bad image was hindering the participation of members in all activities of cooperatives. Similarly, a major reason for the failure of cooperatives is the lack of participation of members” (FAO, 2001).

## **6. Challenges of members’ participation**

Members’ participation in cooperatives in Ethiopia was challenged by many factors. The major factors that limited members’ participation were awareness about cooperative values, access to training, lack of leadership skills, unable to taking part in decision making, conflicts, access to market, and transportation services, unavailability of financial institutions and lack of access to credit services, lack of appropriate support from cooperative promoters, member’s perception on borrowing is as risky and high interest rate and limited awareness of about cooperatives rules, principles and benefits by the members are the main challenges facing members participation.

## **7. Conclusion and proposed interventions**

Cooperative society is a democratic, member-owned, member driven, member benefitting and self-help society therefore; members should actively participate in provision of resources, in decisionmaking process and in sharing the produced benefits to expand the business of the societies and enable them to become self-secured, self-reliant and sustainable. Members’ participation has played an important role in the cooperative development in both developed and developing countries, which in turn have contributed in the socio-economic development of countries. Members’ have varieties of roles in to enhance cooperative development. Among the others: improvement of the annual work plan and budget, evaluating the performance of society and passing decision, giving proper decision on the audit and work reports, election and dismissal of members of management committee (MC), control committee (CC) and other committee (OC), Determination of share values and distribution of annual net profit, on annual meeting, hearing work reports and giving proper decision, in using cooperative benefits. It is essential for cooperatives to remember that they should be attentive in inspiring, motivating and supporting its members as well in ensuring the sustainability of the production of their members. Hence, the cooperative organization needs to strongly work on the improvement of the member participation in all activities and at all levels of cooperatives in order to sustain cooperative societies.

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